

MEMORANDUM OF UNDERSTANDING

BY AND AMONG

VOLKSWAGEN GROUP OF AMERICA, INC.

AND

THE STATE OF TENNESSEE, HAMILTON COUNTY, TENNESSEE, THE CITY OF
CHATTANOOGA, TENNESSEE, THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF CHATTANOOGA, THE CHATTANOOGA AREA CHAMBER OF
COMMERCE AND CERTAIN AGENCIES OF OR WITHIN
THE STATE OF TENNESSEE

EXECUTED: MARCH 2, 2009

DATED EFFECTIVE AS OF: JULY 15, 2008

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- EXHIBIT E PILOT Agreement
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SITE LOCATION AND DEVELOPMENT AGREEMENT

THIS MEMORANDUM OF UNDERSTANDING (this "*Agreement*") is hereby executed this ____ day of January, 2009, effective as of the 15th day of July, 2008, by and among VOLKSWAGEN GROUP OF AMERICA, INC., a New Jersey corporation, or its assignee (the "*Company*") and the STATE OF TENNESSEE (the "*State*"), HAMILTON COUNTY, TENNESSEE (the "*County*"), the CITY OF CHATTANOOGA, TENNESSEE (the "*City*"), and together with the "*County*", the "*Local Governments*", the CHATTANOOGA AREA CHAMBER OF COMMERCE (the "*Chamber*"), the INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, (the "*IDB*") and those certain agencies or departments of the Government of the State described herein, including the Chamber and the IDB, and who are signatories hereto (the "*Agencies*" and together with the State and the Local Governments, collectively, the "*Public Authorities*"). The Company and the Public Authorities may from time to time be referred to individually as a "*Party*" and collectively as the "*Parties*."

WITNESSETH:

WHEREAS, the Company is engaged principally in the design, production and sale of automobiles; and

WHEREAS, the Company is contemplating the establishment of an automobile manufacturing and assembly facility, consisting of initial and subsequent phases, that will serve as the Company's manufacturing headquarters in the United States (the "*Facility*"); and

WHEREAS, the Company's plans and intentions with respect to the Facility require that it be constructed and start production in accordance with the Project Schedule and that such Project Schedule and subsequent operations not be adversely impacted by undue delays or unanticipated costs associated with permitting requirements and/or site conditions; and

WHEREAS, the Facility, if fully implemented, has the potential to eventually employ more than two thousand (2,000) employees and to require a capital investment by, or on behalf of, the Company of approximately One Billion Dollars (\$1,000,000,000.00) at full implementation and production; and

WHEREAS, the Public Authorities enthusiastically support and encourage business and industrial development within the State and are desirous of having the Company establish the Facility within the State; and

WHEREAS, the Public Authorities enthusiastically support education and training as an element of business and economic development and as an integral component to the successful operation of the Project; and

WHEREAS, the Company has narrowed its search for a suitable location for the Facility to three (3) sites in the United States, one being to establish the Facility within the State and, in particular at the Enterprise South Industrial Park (the "*Park*") in the City and the County, to be located on an approximately one thousand seventy-five (1,075) acre site within the Park; and

WHEREAS, the Public Authorities have made specific proposals to the Company for the purpose of inducing the Company to establish the Facility within the Park; and

WHEREAS, the Parties are desirous of setting forth the proposals and respective commitments of the Public Authorities and the Company in a valid, binding and enforceable agreement, as more fully described herein, which shall, on the Effective Date, become legally binding obligations of the Parties.

NOW, THEREFORE, upon and in consideration of the respective promises and covenants contained herein and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

CAPITALIZED AND/OR ITALICIZED TERMS

Section 1.1 Capitalized and/or Italicized Terms. Capitalized and/or italicized terms utilized herein shall have the meaning ascribed thereto in Article XIII hereof, unless the meanings of such terms have been otherwise specified in a different context.

ARTICLE II

DETERMINATIONS BY THE PARTIES

Section 2.1 The Site. The Company has identified parcels of land consisting of:

(a) approximately one thousand seventy-five (1,075) acres at the Park (the "*Project Site*"), as more specifically described in the Survey set forth in EXHIBIT A hereto as a suitable location of the Facility in the United States; and

(b) approximately one thousand two hundred (1,200) acres at the Park (the "*Expansion Site*"), as more specifically described in the Survey set forth in EXHIBIT B hereto as a suitable location for potential expansion of the Facility.

Section 2.2 Location Inducements. The Public Authorities have determined and agreed, subject to the terms and conditions of this Agreement, to the following:

(a) to transfer the Project Site and improvements thereon to the Company in accordance with the terms and conditions of this Agreement and consistent with the Project Site layout attached hereto as EXHIBIT A without cost or charge to the Company;

(b) to grant an option to the Company for a period of eight (8) years from the date on which the Local Governments take title to the Expansion Site, for the purchase of the Expansion Site from the Local Governments at the exercise price of One Thousand Dollars (\$1,000.00). The Local Governments shall continue to remediate the Expansion Site to bring the Expansion Site into compliance with all applicable Environmental Laws and to protect against any damages to natural resources other than those physical alterations that have been expressly

authorized by Permit or otherwise allowed by Environmental Laws. The Local Governments covenant that they will not offer, lease, sell, convey, assign, transfer, or otherwise make available to any third party, or place or grant any encumbrance upon the Expansion Site that would hinder the Company in exercising the purchase option granted by this Section 2.2(b); and

(c) to deliver and implement each of the other commitments and inducements set forth herein for the benefit of the Company, and in accordance with the terms and conditions set forth herein.

Section 2.3 Decision to Locate. Contingent upon the satisfaction of the Public Authorities' obligations herein and subject to the satisfaction of all of the following conditions precedent (the "*Conditions Precedent*") the Company has determined to locate the Facility on the Project Site, subject to the occurrence of each of the following Conditions Precedent:

- (a) approval of this Agreement by the Board of Directors of the Company;
- (b) selection of the State as the location of the Project; and
- (c) fulfillment of all other Conditions Precedent by the Public Authorities as set forth herein.

ARTICLE III

GENERAL TERMS

Section 3.1 Designation of Coordinators. The Public Authorities acknowledge that it is in the best interests of the Company and the Public Authorities for the development, design, engineering, construction, equipping and start-up of the Facility to proceed on an expeditious timetable and that time is of the essence to achieve the milestones set forth in the Project Schedule attached hereto as EXHIBIT C. Accordingly, in order to proceed in accordance with the Project Schedule, the State, through the Local Governments and the Chamber, for the purpose of ensuring that all administrative details relating to the Facility are processed in the most efficient and expeditious fashion shall, commencing upon the Effective Date or as otherwise specified below, cause, without cost or charge to the Company, the following qualified coordinators to be appointed to act as the State's representatives to assist the Company in implementing and fulfilling the terms and conditions of this Agreement (collectively the "*Coordinators*"):

- (a) A Local Development Project Coordinator on a full-time basis for the duration of construction of the Facility, and on an as needed basis thereafter;
- (b) An Environmental Coordinator on an as needed basis during the construction of the Facility and thereafter;
- (c) A representative from the Tennessee Department of Labor will be designated to coordinate the State's workforce recruitment efforts in support of the Project;

(d) A Tax Coordinator on an as needed basis through five (5) years after the Effective Date;

(e) A local Workforce Development Coordinator will coordinate area workforce resources including the Tri-State Workforce Alliance, Chattanooga State Technical Community College ("CSTCC") and the University of Tennessee in support of recruitment efforts for the Project on an as needed basis through five (5) years after the Effective Date;

(f) A Public Policy Advocacy Coordinator on an as needed basis through five (5) years after the Effective Date; and

(g) A Public Relations & Communications Coordinator on an as needed basis through five (5) years after the Effective Date.

The appointment of any of the Coordinators set forth in this Section 3.1 (a) – (g) shall be subject to the approval of the Company, and any request by the Company to change any such Coordinator shall not be unreasonably denied by the Local Governments and the Chamber.

Section 3.2 Assistance with Permits.

(a) The State, in conjunction with the Coordinators described in Section 3.1 hereof, and the other Public Authorities agree, with the cooperation of the Company:

(i) to do all things and take all actions necessary to assist the Company in its timely filing of all applications for obtaining, modifying, transferring, and/or renewing all applicable Permits with the federal government, the State, the Local Governments and all applicable agencies thereof; such assistance to include, when applicable, facilitating the timely consideration, processing, and issuance of all Permits required in connection with the establishment and subsequent operation of the Facility. Such Permits shall include, but are not necessarily limited to site plan approvals, construction and building permits, approvals for the abandonment and creation of all rights-of-way acquisitions and easements, and the Permits discussed in Article X of this Agreement, all to be issued on an expedited basis in order to permit construction of the Facility to proceed in accordance with the Project Schedule; and

(ii) to use their best efforts to cause all Permit decisions necessary for construction and subsequent operation of the Facility to be made within thirty (30) days (sixty (60) days if a public hearing is requested) of filing the applicable and materially complete application in accordance with the applicable statutes and regulations.

(b) Each of the Local Governments shall waive all of its respective administrative, licensing and permitting fees or charges otherwise payable by the Company in connection with its compliance with all applicable local, State and federal laws, rules, regulations, orders, etc., from the date hereof through the completion of construction of the Facility. To the extent that such administrative, licensing and permitting fees or charges may not be waived, the Local Governments agree to reimburse the Company for all fees and expenses incurred by the Company in relation to such Permits.

Section 3.3 Foreign-Trade Zone Designation. The Chamber represents and warrants to the Company that the Project Site is within an existing Foreign-Trade Zone designation and is located within Foreign-Trade Zone No. 134. If the Company determines that activation of the Project Site or the Facility, or any portion of each thereof, as a Foreign-Trade Sub Zone is beneficial, then the Chamber shall cooperate and coordinate with the Company in arranging for such activation as soon as practicable after the Effective Date. The Local Governments shall be responsible for payment of up to One Hundred Thousand Dollars (\$100,000.00) to cover the cost of the application and activation required for the Company to make use of the Foreign-Trade Zone designation. In addition, the Local Governments will pay up to Twenty-Four Thousand Dollars (\$24,000.00) per year for four (4) years (totaling Ninety-Six Thousand Dollars (\$96,000.00)) to cover the cost of the annual fee associated with the Foreign-Trade Zone designation.

Section 3.4 Preliminary Survey. The Local Governments have caused an ALTA survey of the Project Site to be prepared by a licensed State surveyor, and it is attached hereto as EXHIBIT D. The Local Governments further agree that, among other things, the ALTA survey shall include a measured topographic survey of the Project Site and to provide a number of copies adequate for the Company's use in preparing and conducting site grading and construction plans.

Section 3.5 Economic Impact Report. The State, through the Department of Economic & Community Development and in conjunction with the Center for Business and Economic Research, University of Tennessee, shall, without cost or charge to the Company, cause the preparation of an economic impact report and analyses to highlight the economic benefits to the State and its citizens associated with the Facility contemplated in this Agreement. When completed, the State, through the Department of Economic & Community Development and in conjunction with the Center for Business and Economic Research, University of Tennessee, shall provide the Company with a copy of such report.

Section 3.6 Additional Inducements and Incentives for Expansions. The investments to be made by the Company pursuant to this Agreement shall have no effect on, and shall neither restrict nor limit, any inducements and incentives to which the Company may become entitled in respect of any significant investment, expansion or creation of additional jobs beyond that contemplated by this Agreement. The Public Authorities agree to enter into good faith negotiations to provide such additional inducements and incentives to the Company as may be warranted at such time as the Company commits to make such significant additional investment, expansion or creation of additional jobs. The Public Authorities acknowledge that the Company may seek to negotiate incentives for a phase II project prior to the Start of Production or the fulfillment of its Base Employment Level or Employment Commitment. If so, the Public Authorities acknowledge that the Company's failure to as yet reach Start of Production, its Base Employment Level or fulfill its Employment Commitment shall have no impact on the incentive negotiations, assuming the Company maintains its obligation to meet those statutory thresholds upon which the inducements and incentives are offered herein.

ARTICLE IV

STATE AND LOCAL TAX INCENTIVES

Section 4.1 Assistance with Tax Incentives. The State, through the Tax Coordinator, shall use its best efforts to advise and assist the Company in obtaining the full benefit of all statutory tax incentives for which the Company is legally eligible, including all applicable tax credits, abatements and exemptions provided under existing law and any law which may subsequently become applicable.

Section 4.2 Tax Abatements. The Local Governments, through the IDB, hereby covenant and agree to provide a thirty (30) year abatement of real and personal property taxes to the Company under that certain Payment-in-Lieu-of-Tax Agreement (the "*PILOT Agreement*"), attached hereto as EXHIBIT E. The IDB shall enter into the PILOT Agreement with the Company simultaneously with the execution of this Agreement. Pursuant to the PILOT Agreement, the IDB has agreed to take title to certain real and personal property, including raw materials, constituting a part of the Project. Because the property is to be owned by the IDB, which is a public corporation organized under the provisions of Code Section 7-53-101 et seq., all such property shall be exempt from property taxes normally paid to the Local Governments. Upon obtaining legal title, the IDB shall immediately lease such real and personal property to the Company. Under the terms and conditions of that certain Lease Agreement, attached hereto as EXHIBIT F, and in consideration of the lease granted by the IDB to the Company, the Company agrees to acquire, construct and install the Project, operate the Project for its own benefit and the benefit of the citizens of the County and the City and make the payments required of it under the PILOT Agreement. Although legal title to the real and personal property remains in the IDB throughout the abatement period, for all other purposes, the Company is treated as the owner in terms of general accounting principles, tax depreciation, sales tax, maintenance and insurance responsibility. Under State law, certain property tax benefits amounting to approximately One Hundred, Sixty-Seven Million Dollars (\$167,000,000.00) are only available if the Company transfers assets of approximately Eight Hundred Five Million Dollars (\$805,000,000.00) by means of "sale and lease back" to a special purpose entity of the State (the IDB). Property Tax Matters; Asset Classification for Personal Property. The State, through TDOR, agrees to use its best efforts to assist the Company with classifying its personal property under State law and procedures to allow the Company to minimize its State property tax liability.

Section 4.4 Fair and Reasonable Market Value. The County hereby agrees that the fair market value of the land for the Project Site shall initially be set at Ten Million Dollars (\$10,000,000.00) and subject to reassessment every four (4) years during the entire term of the PILOT Agreement; provided, however, that such reassessment shall not cause the fair market value of the Project Site to increase by a cumulative amount greater than ten percent (10%) of the above stated fair market value at the end of the first four-year reassessment period, nor more than a ten percent (10%) cumulative increase at the conclusion of any subsequent four-year reassessment period over the previously determined fair market value. In addition, the County hereby agrees that the fair and reasonable market value of the Company's real property improvements in the first full property tax year shall not exceed the Company's actual cost of said real property improvements.

Section 4.5 No Taxes on Inventory. The State, through TDOR, covenants to the Company that, in accordance with Code Section 67-6-102, within the State there are no ad valorem, sales or use taxes assessed upon or applicable to inventory, including work in process, and finished products.

Section 4.6 Sales and Use Tax Matters.

(a) The State, through TDOR, covenants that, in accordance with Code Sections 67-6-507(i) and 67-6-346, Industrial Machinery, including Pollution Control Equipment and any related labor, installation, and service charges, purchased for and used in the Facility shall be exempt from sales and use tax. The Commissioner of TDOR shall deliver to the Company by July 15, 2008 the Letter Ruling attached hereto as EXHIBIT H defining the scope of the Pollution Control Equipment exemptions for a portion of the Facility, in a form and substance reasonably acceptable to the Company and its counsel.

(b) The State, through TDOR, covenants that no sales tax shall be imposed on raw materials used directly in the manufacturing process, coming into direct contact with the article being fabricated or processed by the Company, and/or being expended in the course of the contact. Further, the State, through TDOR, covenants that no sales tax shall be imposed on component parts or replacement parts used directly in the manufacturing process or installed as part of Industrial Machinery.

(c) The State, through TDOR, covenants that the sales and use tax exemption for Industrial Machinery, Pollution Control Equipment and raw materials applies equally to future acquisitions, replacement of qualified equipment and services as long as the Company qualifies as a manufacturer. The State, through TDOR, shall deliver to the Company by July 15, 2008, or such other date as the Parties may agree, the Letter Ruling attached hereto as EXHIBIT I confirming the portion of the Facility that will qualify as a manufacturing operation for purposes of the Industrial Machinery exemptions and credits and the portion of the facility that will qualify as a "headquarters facility" as defined in Code Section 67-6-224, in a form and substance reasonably acceptable to the Company and its counsel.

TDOR hereby confirms, based on information presented by the Company and discussions with the State, that a portion of the Facility will qualify as a manufacturing operation for purposes of the Industrial Machinery and Pollution Control exemptions and credits, including those set forth in Code Sections 67-6-206 and 67-6-346. TDOR shall review and consider any Letter Ruling request presented by the Company.

(d) The State, through TDOR, covenants and agrees that a portion of the Facility will constitute a "headquarters facility" as defined in Code Section 67-6-224, and the Company shall be entitled to a credit for sales or use taxes paid on building materials, machinery and equipment, including any related labor, installation, or service charges, purchased for the headquarters facility, except tax accrued on such purchases at the rate of one-half percent (0.5%). The State, through TDOR, shall deliver to the Company by July 15, 2008, or such other date as the Parties may agree, the Letter Ruling attached hereto as EXHIBIT J confirming the parameters of the headquarters facility, in a form and substance reasonably acceptable to the Company and its counsel.

TDOR hereby confirms based on information presented by the Company and discussions with the State that a portion of the Facility will qualify as a "headquarters facility" as defined in Code Section 67-6-224 and the Company shall be entitled to a credit for all sales and use tax paid as set forth in Code Section 67-6-224. TDOR will review and consider any Letter Ruling request presented by the Company.

(e) The State, through TDOR, covenants that all tangible personal property constituting a part of the Project is either purchased in connection with a manufacturing operation for purposes of all applicable Industrial Machinery exemptions and credits, or purchased in connection with a "headquarters facility" as such term is defined in Code Section 67-6-224.

(f) The State, through TDOR, covenants that (i) purchases of energy fuel for the Project, including electricity, natural gas, coal, firewood, and propane and butane gases are taxed at a reduced sales and use tax rate of one and one-half percent (1.5%), (ii) purchases of water for the Project are taxed at a reduced sales and use tax rate of one percent (1%), and (iii) purchases of energy fuel and water that comes into direct contact with the product during manufacturing and that is metered separately are exempt from all sales and use taxes.

Section 4.7 Franchise and Excise Tax Matters.

(a) Super Jobs Tax Credits. The State, through TDOR, covenants to the Company that it will use its best efforts to assist the Company in receiving the full benefits of the Super Jobs Tax Credits provided by Code Sections 67-4-2109(c)(2)(H) and 67-4-2109(c)(2)(I)(i). The State, through the Commissioner of the Department of Economic & Community Development, by execution of this Agreement agrees to extend the three (3) year period to satisfy the Capital Investment and job requirements for the Super Jobs Tax Credits to five (5) or seven (7) years as requested by the Company. See Letter to Larry Creef from Matthew Kisber, Commissioner of the Department of Economic & Community Development, dated July 14, 2008 and attached hereto as EXHIBIT K.

(b) Jobs Tax Credits. The State, through TDOR, covenants to the Company that it will use its best efforts to assist the Company in receiving the full benefits of the Jobs Tax Credits provided by Code Section 67-4-2109(c)(2)(A). The State, through the Commissioner of the Department of Economic & Community Development, by execution of this Agreement agrees to extend the three (3) year period to satisfy the Capital Investment and job requirements for the Jobs Tax Credits to five (5) or seven (7) years as requested by the Company. See Letter to Larry Creef from Matthew Kisber, Commissioner of the Department of Economic & Community Development, dated July 14, 2008 and attached hereto as EXHIBIT K.

(c) Enhanced Industrial Machinery Tax Credits. The State, through TDOR, covenants to the Company that it will use its best efforts to assist the Company in receiving the full benefits of the Industrial Machinery Tax Credits provided by Code Section 67-4-2009(4)(I). The State, through the Commissioner of the Department of Economic & Community Development, by execution of this Agreement agrees to extend the three (3) year period to satisfy the Capital Investment and job requirements for the Enhanced Industrial Machinery Tax Credits to five (5) years. See Letter to Larry Creef from Matthew Kisber, Commissioner of the

Department of Economic & Community Development, dated July 14, 2008 and attached hereto as EXHIBIT K. The State, through TDOR and in accordance with the Legislative Schedule, further covenants and agrees that the recapture rules provided by Code Section 67-4-2009(4)(D) shall not apply to any machinery sold or removed from the State during its useful life, provided that such sold or removed machinery is replaced by machinery of equal or greater depreciable value.

(d) Evergreening of Jobs Tax Credits and Enhanced Industrial Machinery Tax Credits. The State, through TDOR, covenants to enact legislation in accordance with the Legislative Schedule, providing for the indefinite carryforward of any excess annual Super Jobs Tax Credits, Jobs Tax Credits and Enhanced Industrial Machinery Tax Credits generated by the Company. Further, the State, through TDOR, by execution of this Agreement agrees that the Super Jobs Tax Credits, Jobs Tax Credits, Enhanced Industrial Machinery Credits and Relocation Expense Credits and carryforwards thereof shall be utilized to offset franchise and excise tax liability in the following order: (i) Super Jobs Tax Credits, (ii) Jobs Tax Credits, (iii) Enhanced Industrial Machinery Credits, and (iv) unrefunded Relocation Expense Credits. The Commissioner of TDOR shall deliver to the Company by July 15, 2008 the Letter Ruling attached hereto as EXHIBIT L setting forth the order in which the Company may utilize certain credits to offset its franchise and excise tax liability, in a form and substance reasonably acceptable to the Company and its counsel.

(e) Relocation Expense Credits. The State, through TDOR, covenants to the Company that it will receive at least Forty Million Dollars (\$40,000,000.00) through the refundable Relocation Expense Credits provided by Code Section 67-4-2109(h)(2). The State, through TDOR, shall deliver to the Company by July 15, 2008, or such other date as the Parties may agree, the Letter Ruling attached hereto as EXHIBIT J confirming and defining the scope and administration of the Relocation Expense Credits for the Project, in a form and substance reasonably acceptable to the Company and its counsel. The State hereby commits to provide such Relocation Expense Credit to the Company in the amount of One Hundred Thousand Dollars (\$100,000.00) per Headquarters Position that is relocated to the State within five (5) years following September 1, 2008. Such Relocation Expense Credit is fully refundable and may be applied toward any expense incurred by the Company and approved by the Commissioner of TDOR and the Commissioner of the Department of Economic & Community Development. The State also covenants to pursue legislation in accordance with the Legislative Schedule to (i) clarify that the criteria requirements of Code Section 67-4-2109(h)(2)(E) will be satisfied for purposes of the Relocation Expense Credit if the Company Capital Investment exceeds One Billion Dollars (\$1,000,000,000.00) without regard to the satisfaction of the wage and employment requirements set forth in Code Section 67-4-2109(c)(2)(H), (ii) amend Code Section 67-4-2109(h)(3)(E) to increase the Relocation Expense Credit from Fifty Thousand Dollars (\$50,000.00) to One Hundred Thousand Dollars (\$100,000.00) per relocated Headquarters Position, and (iii) amend Code Section 67-4-2109(h)(5) to modify the Relocation Expense Credit recapture rules.

EXAMPLE: This example illustrates that the Relocation Expense Credit would equal Eighty Million Dollars (\$80,000,000.00) if, as of the conclusion of the five (5) year period referenced above, the number of relocated Headquarters Positions was eight hundred (800):

$$\$100,000 \times 800 = \$80,000,000$$

(f) To receive the Relocation Expense Credit, the Company must:

(i) Determine the number of existing and new Headquarters Positions that will be relocated to the State over the five (5) year period;

(ii) Establish any new Headquarters Positions on the Company's records in a location outside of the State;

(iii) Relocate such existing or new Headquarters Positions to the State;

(iv) Coordinate with the Tax Coordinator to draft and file with the State a one page business plan, which may be amended from time to time and at any time during the five (5) year period, identifying the number of Headquarters Positions being relocated;

(v) Submit a list of actual and anticipated Relocation Expenses to be claimed for the Relocation Expense Credits and reimbursement to TDOR, which then issues a Letter Ruling approving the expenses; and

(vi) Submit a claim for the Relocation Expenses once incurred and receive a refund as an overpayment from TDOR. Such claim and refund may be filed and received on a monthly, quarterly, semi-annually, annually or one-time basis as determined by the Company.

As confirmation of discussions with representatives of the Company, the Public Authorities represent that the Commissioner of the Department of Economic & Community Development and the Commissioner of TDOR have broad discretion to determine the relocation expenses that are necessary to relocate headquarters staff employees to a qualified headquarters facility in conjunction with the initial establishment of such facility in the State. The State hereby commits to work with the Company to ensure that the Company receives the maximum benefit of the Relocation Expense Credits. TDOR shall review and consider any Letter Ruling request presented by the Company.

(g) The State hereby agrees to include the cost incurred by the Public Authorities pursuant to Sections 6.1 and 6.2 hereof in satisfying the Capital Investment requirements of this Section 4.7 and Section 4.8(a).

Section 4.8 Supplier Incentives. The State, through the Commissioner of TDOR and the Commissioner of Economic & Community Development, by execution of this Agreement agrees that suppliers located within the State providing goods or services for the Facility qualify for the Integrated Supplier Super Tax Credit provided by Public Chapter No. 1106, Public Acts 2008 Sections 45 and 46. See Letter to Larry Creff from Matthew Kisber, Commissioner of the Department of Economic & Community Development, dated July 14, 2008 and attached hereto as EXHIBIT K. If requested by the Company, the State also covenants to pursue legislation in accordance with the Legislative Schedule to (i) clarify that as long as the Company's Capital Investment exceeds One Billion Dollars (\$1,000,000,000.00), the Company's suppliers will qualify for the Integrated Supplier Super Tax Credit without regard to the

satisfaction of the wage and employment requirements set forth in Code Section 67-4-2109(c)(2)(H) and (ii) amend the definition of "integrated supplier" for purposes of the Integrated Supplier Super Tax Credit.

Section 4.9 Franchise and Excise Tax Variances. The State, through TDOR, shall deliver to the Company by July 15, 2008, or such other date as the Parties may agree, the Letter Ruling attached hereto as Exhibit M providing the following variances and rulings to the Company: (i) a variance that grants the Company, at its election, the authority to file a single combined or consolidated franchise and excise tax return for all members of the Company's federal consolidated tax return group, (ii) a variance that grants the Company the authority to utilize the credits and credit carryforwards set forth in Section 4.7 against the franchise and excise tax liability reflected on any combined or consolidated franchise and excise tax return filed by the Company, (iii) a variance providing a special apportionment formula for franchise and excise tax purposes under which any sales to the Company's foreign parent or other foreign affiliates are treated as non-Tennessee sales for purposes of the numerator of the sales apportionment factor and only sales to the ultimate purchaser of vehicles who reside in Tennessee are treated as Tennessee sales; and (iv) a ruling confirming that the State will not require the Company to file any franchise and excise tax return on a unitary reporting basis, in form and substance reasonably acceptable to the Company and its counsel.

Section 4.10 Letter Rulings. The Commissioner of TDOR shall deliver to the Company by July 15, 2008, or such other date as the Parties may agree, the additional Letter Rulings set forth in EXHIBIT M in a form and substance reasonably acceptable to the Company and its counsel.

ARTICLE V

MAKING THE PROJECT SITE AVAILABLE

Section 5.1 Conveyance of Title to Project Site.

(a) The Local Governments represent and warrant to the Company with respect to the Project Site that they hold good, valid, marketable and legal title (as described in subparagraph (b) hereof) to each parcel, constituting the Project Site, together with (i) all buildings and other improvements located upon said real estate as of the date hereof, (ii) all easements, mineral rights, oil and gas rights, riparian or other water rights, interests, claims, appurtenances and all other rights in any way belonging to or appertaining thereto and inuring to the owners, (iii) all right, title and interest in and to all streets, alleys, and other public ways located within the boundaries of said real estate and inuring to the owners, and (iv) all fixtures, equipment and personal property attached or appurtenant to or located on said Project Site.

(b) The Local Governments covenant to the Company that they hold good, valid, marketable and legal title to the Project Site, free and clear of all liens, encumbrances, easements and servitudes, and tenancies and other rights of occupation or use there of except those which are listed in EXHIBIT N attached hereto (the "*Existing Title Exceptions*").

(c) Each of the Local Governments covenants to the Company that on or before the date upon which the deed to the Project Site is to be executed and delivered in accordance with subparagraph (d) hereof it shall put in place documented arrangements, commitments and/or letter agreements pursuant to which items 5 and 6 on EXHIBIT N will be addressed satisfactorily to the Company. The Existing Title Exceptions are referred to as the "*Permitted Encumbrances*". The Local Governments represent and warrant that the Permitted Encumbrances will not interfere with the use of the Project Site by the Company for its intended purpose.

(d) The Local Governments covenant to the Company that upon the Effective Date and independent of the Company's obtaining title to the Project Site, the Local Governments shall (i) provide immediate access to the Project Site to the Company, its employees, representatives, agents and independent contractors at any time and from time to time, for any purpose the Company deems appropriate, including for the purpose of conducting such studies, inspections and tests as the Company deems desirable, (ii) determine which parcels of land or parts thereof at the Project Site are required for the granting of utility easements and rights of way relating to roads and other infrastructure requirements, it being understood by the Local Governments and the Company that the areas generally identified on EXHIBIT O hereto approximate the area contemplated for such purposes (the "*General Easement Area*"), (iii) cause a survey to be prepared which identifies, for legal purposes, the General Easement Area and the Project Site, (iv) either convey the General Easement Area to the City for the purpose of the City granting the appropriate easements and rights of way or retain title to the General Easement Area and grant such easements and rights of way, which in any event shall be subject to such rights in favor of the Company to cross the General Easement Area with roads, pipes, wires, conduits and other facilities related to the use of the Project Site for its intended purpose and (v) on or prior to thirty (30) days after the Effective Date, deliver into escrow a deed for the entire Project Site for the benefit of the Company pursuant to an escrow agreement, such Deed to be in substantially the form and substance attached hereto as EXHIBIT P (the "*Deed*") and such escrow agreement to be substantially in the form and substance attached hereto as EXHIBIT Q, in each case without any cost or charge to the Company. The Deed shall be (i) duly executed and in recordable form and (ii) accompanied by an ALTA category 1 survey which shall be certified to the Company and by a Commitment for Title Insurance issued by Commonwealth Land Title Insurance Company, whose agent is William David Jones (the "*Title Company*") and bearing number PTA 112862/CW977 (the "*Title Commitment*") the Title Company in form and substance satisfactory to the Company and consistent with subparagraph (c) hereof, containing such endorsements as the Company may reasonably request, and in such amount as the Company shall determine which shall not be for an amount in excess of the Company's good faith estimate of the cost of the improvements to be made by the Company to the Project Site together with fixtures relating thereto plus Ten Million Dollars (\$10,000,000.00) (the "*Estimated Real Property Value*"). The Local Governments agree that they shall be responsible for and pay:

(i) to the Title Company all of its fees and premiums attributable to the searches and the issuance of the owner's/leasehold title policy covering the Project Site and improvements to be made and related fixtures in the amount of the Estimated Real Property Value;

(ii) any real property transfer taxes, deed recording taxes and all other fees, costs, charges or taxes attributable to the acquisition by the Local Governments of the parcels of land constituting the Project Site; and

(iii) the costs and fees of the relevant surveying company for all survey work required at the Project Site in connection with the implementation of this Section 5.1, including an ALTA survey (to the extent deemed necessary by the Local Governments and the Company).

(e) Except for the Permitted Encumbrances, all parcels constituting the Project Site will be free of any residents, tenants or other users of the land and the Local Governments acknowledge and agree that the Local Governments are obligated, at their cost and expense to ultimately assure the termination of any right of any third party to occupy or use any part of the Project in accordance with the timeframe set forth in the Project Schedule.

Section 5.2 Undertakings Regarding the Facility.

(a) In consideration of the inducements and other commitments made by the Public Authorities herein, the Company hereby agrees to use its best efforts to employ at least two thousand (2,000) Full-Time Employees (the "*Base Employment Level*") at the Facility prior to the end of the sixtieth (60th) month after the month in which Start of Production shall occur. Within ten (10) days after Start of Production, the Company shall provide notice thereof to the State.

(b) The Company hereby agrees that prior to the end of the last day of the ninety-sixth (96th) month after the month in which Start of Production occurs (the "*Employment Period*") the Company shall have maintained an annual average of the Base Employment Level at the Facility for a period consisting of any thirty-six (36) consecutive months (the "*Employment Commitment*").

Within thirty (30) days after the earlier of (i) the close of the Employment Period or (ii) fulfillment of the Employment Commitment, the Company shall provide the State with a report indicating (x) the number of Full-Time Employees at the Facility on the last day of each month during the Employment Period as well as (y) the monthly average number of Full-Time Employees at the Facility during the consecutive thirty-six (36) month period in which the Company has maintained the highest average number of Full-Time Employees, using the number of Full-Time Employees on the last day of each month during the Employment Period to calculate the average (the "*Highest Average Employment Count*"). The Highest Average Employment Count shall be the test for determining whether the Company has fulfilled the Employment Commitment. In the event that, as of the end of the Employment Period, the Company failed to fulfill the Employment Commitment, the Company shall pay to the State a fee (the "*Employment Recapture Amount*") determined by the following formula:

Employment Recapture Amount Payment = $\text{Recapture Base} \times ((\text{Base Employment Level} - \text{Highest Average Employment Count}) / \text{Base Employment Level})$.

EXAMPLE: This example illustrates that the Employment Recapture Amount would equal \$5,000,000 if, as of the conclusion of the Employment Period, the Base Employment Level was

1,000, the Company's Highest Average Employment Count was 950 and the Recapture Base was \$100,000,000:

$$\underline{\$100,000,000 \times ((1,000 - 950) / 1,000)} = \$5,000,000$$

The Company shall pay any Employment Recapture Amount due pursuant to this Section 5.2(b) within ninety (90) days after the close of the Employment Period.

(c) Upon expiration of the Employment Period or earlier fulfillment of the Employment Commitment, the obligations and commitments of the Company under Sections 5.2 (a) and (b) shall terminate and the provisions of this Section 5.2 shall be of no further force or effect after payment by the Company of any Employment Recapture Amount due hereunder. The payment by the Company of the Employment Recapture Amount as set forth in Section 5.2(b) shall be the sole and exclusive remedy available to the Public Authorities for the failure of the Company to create and maintain the number of Full-Time Jobs set forth in this Section 5.2 and for the time period set forth herein.

(d) In the event that any time prior to the expiration of the Employment Period (i) the Public Authorities fail to meet, as and when due, any of their financial commitments as set forth herein, (ii) the Company becomes ineligible to take advantage of any tax benefit set forth in Article IV hereof for which it is otherwise legally and statutorily eligible as of the date hereof and/or (iii) there is a breach, or default, by the obligated Party of any of the obligations set forth in Articles IV, V, VI and VII which breach or default results in a material adverse effect to the Company, then, in any such instance, the provisions of this Section 5.2 shall become null and void (x) with respect to a failure in the case of clause (i), (y) with respect to ineligibility in the case of clause (ii) and (z) with respect to any such breach or default in the case of clause (iii), as of the date which is ninety (90) days after the date upon which the Company has delivered notice of such failure, ineligibility or breach or default, and such failure, ineligibility or breach or default has not been cured within such ninety (90) day period; it being understood that the effect of any application of this subparagraph (d) will be to void any obligation of the Company to make payment of any otherwise applicable Employment Recapture Amounts under this Section 5.2.

Section 5.3 Incentive Held Unenforceable. In the event that any of the incentives, inducements or other assistance to the Company set forth in this Agreement is held to be invalid, illegal or unenforceable, the Public Authorities shall, to the extent permitted by law, provide the Company with another incentive, inducement or other form of assistance in substitution of such invalid, illegal or unenforceable incentive, inducement or other assistance. Any such substituted incentive, inducement or other assistance, to the extent permitted by law, shall have a net present value to the Company that is no less than the net present value of the incentive, inducement or other assistance found to be invalid, illegal or unenforceable, calculated at such time. Nothing in this Section 5.3 shall be deemed or construed to require any Public Authority to provide or contribute any incentive in an amount greater than the amount of such Public Authority's original obligation under this Agreement.

ARTICLE VI

MAKING THE PROJECT SITE SUITABLE

Section 6.1 Fully Prepared Project Site. The Public Authorities hereby agree to perform or have performed, at no cost to the Company, all Site Preparation Work. All such Site Preparation Work shall be performed in accordance with the Company's Site Plan Specifications and the Project Schedule by contractors acceptable to the Company in its sole and absolute discretion. All agreements between any Public Authority and those performing Site Preparation Work shall be assignable, to the extent permitted by law, to the Company upon the Company's written request. The Public Authorities shall also make the Company a third party beneficiary to all such agreements related to Site Preparation Work. The parties hereby acknowledge and agree that any aforementioned assignment does not include a grant contract between the State of Tennessee, Department of Economic & Community Development and the IDB to carry out the purposes of Sections 6.1 and 6.2.

Section 6.2 Additional Infrastructure Grant.

(a) The Public Authorities hereby agree to provide funds to the IDB, for the benefit of the Company, of One Hundred Ten Million Dollars (\$110,000,000.00). Such funds shall be used by the IDB to fund construction of the additional public use infrastructure items set forth on EXHIBIT R hereto. With the consent of the Company, these additional public use infrastructure items may be constructed utilizing the services of any public entities. In the event that funds remain after completion of such additional public use infrastructure items set forth on EXHIBIT R, the IDB shall apply such remaining funds toward the cost of any other public use infrastructure items as the IDB and the Company mutually deem appropriate for this Project.

(b) The IDB shall enter into contracts with contractors acceptable to the Company for the performance of work related to such infrastructure items. Contractors must submit a "*Request for Payment*" for work performed, using the form which is attached as EXHIBIT S to this Agreement, to the Company and the IDB for approval. This Request for Payment must be accompanied by supporting documentation which demonstrates to the satisfaction of the IDB and the Company that the expenditures for which reimbursement is sought were incurred and such other documentation as is deemed necessary by the IDB and the Company to establish that the reimbursement will be for costs reasonably incurred for work related to such infrastructure items. IDB shall pay the amount specified in approved Requests for Payment directly to the contractor for work related to approved infrastructure items. Such payment shall be made by the IDB within forty-five (45) days following receipt of such Request for Payment.

Section 6.3 Roads.

(a) The State, through DOT and the Local Governments shall, without cost or charge to the Company, (i) implement, or cause the implementation of, each of the roadway improvements relating to the Project Site as are set forth and described in EXHIBIT T hereto as the "*Roadway Specifications*," (ii) contract with, or cause to be contracted with, all contractors to implement the Roadway Specifications and (iii) use their best efforts to complete or cause the

completion of the Roadway Specifications on a timely basis in accordance with the Project Schedule, which specifies separate completion dates for construction roads and final roads.

(b) The State, through DOT, and the Local Governments each agree that (i) all roadway construction and improvements implemented in accordance with this Section 6.3, shall conform to all applicable industrial standards and governmental regulations and (ii) actual construction and implementation of all roadway improvements shall commence as soon as practicable after (x) the Effective Date and (y) roadway construction and improvement designs having been approved by the Company, and the State, through DOT, shall utilize its best efforts to meet the Project Schedule.

(c) The City covenants to perform, on an ongoing basis, and bear all costs associated with, all maintenance and repairs to all of the public roads on, leading up to and surrounding the Project Site, so as to keep all such roads in compliance at all times with then-prevailing industrial and governmental standards.

Section 6.4 Railway Lines. The State and the Local Governments shall utilize their best efforts to assist the Company in its negotiations with CSX and Norfolk Southern for (i) an agreement relating to the construction of a turn out, trackages, switching and signals and (ii) an agreement which will provide for rail service for the Company at the Project Site on terms and conditions as favorable to the Company as those offered to other automobile manufacturers with comparable volumes of vehicles to be transported. The State and Local Governments shall be responsible for all costs associated with the construction of any fully functional rail infrastructure which the Company deems necessary and for which CSX or Norfolk Southern refuses to pay.

Section 6.5 Water.

(a) The County, through Eastside Utilities, covenants to the Company that, without cost or charge to the Company, it shall: (i) cause the completion of any water supply improvements in respect of the Project Site in accordance with the requirements of the Facility, including, where applicable, extension lines with a point of delivery to an agreed upon destination, minimum flow and residual pressure sufficient to meet the needs of the Facility in each case consistent with the County's operating systems, the specific requirements of the foregoing being set forth in EXHIBIT U hereto as the "*Water Specifications*," (ii) contract with or cause to be contracted with all contractors to implement the Water Specifications, (iii) cause in each instance, the extensions and/or improvements to be placed in such routes and run to such locations within the Project Site as set forth in EXHIBIT U, (iv) cause the abandonment or relocation of water lines as identified in EXHIBIT U and (v) use its best efforts to cause the completion of the Water Specifications on a timely basis in accordance with the Project Schedule.

(b) The County, through Eastside Utilities, covenants to the Company (i) that each extension and/or improvement will be constructed and installed to applicable industrial and governmental standards, or as otherwise described in the Water Specifications, including, line size and pressure in order to service adequately the needs of the Facility and Project Site in each case consistent with the County's operating systems and (ii) to perform on an ongoing basis, and

bear all costs associated with, all maintenance and repairs to all water lines in respect of the Facility and Project Site (except the Company shall be responsible for maintenance and repairs from the service point to the Facility), so as to keep such water lines in compliance at all times at then-prevailing industrial and governmental standards, or as otherwise set forth in the Water Specifications and (iii) that the existing infrastructure maintained by Eastside Utilities is fully functional and maintained at a standard of care which will permit water services to be provided to the Project Site and Facility for the intended purposes described herein.

(c) The County, through Eastside Utilities, covenants to the Company that it (i) shall refrain from discriminating against the Company with respect to water fees or charges or rates or surcharges based upon the amount of its investment relating to either the water extensions or the volume requirements for water usage at the Facility and Project Site and (ii) will not recoup by increased rate charges for water services to be provided to the Company any such construction and related infrastructure improvement costs and (iii) will make rates available to the Company which reflect the lowest contractually negotiated or published rates for service requirements similar to those of the Facility.

Section 6.6 Sewer.

(a) The City covenants to the Company that, without cost or charge to the Company, it shall: (i) cause the completion of any sewer improvements in respect of the Project Site in accordance with the requirements of the Facility, including, where applicable, sewer extension lines with a point of delivery to an agreed upon destination, sufficient rainwater capacity such that no pre-treatment will be required and sufficient water recovery to meet the needs of the Facility in each case consistent with the City's operating systems, the specific requirements of the foregoing being set forth in EXHIBIT V hereto as the "*Sewer Specifications*," (ii) contract with or cause to be contracted with all contractors to implement the Sewer Specifications, (iii) cause in each instance, the extensions and/or improvements to be placed in such routes and run to such locations within the Project Site as set forth in EXHIBIT V, (iv) cause the abandonment or relocation of (x) sewer lines as identified in EXHIBIT V and (y) any public system sewer lines discovered at the Project Site during construction of the Facility and (v) use their best efforts to cause the completion of the Sewer Specifications on a timely basis in accordance with the Project Schedule.

(b) The City covenants to the Company (i) that each extension and/or improvement will be constructed and installed to applicable industrial and governmental standards, or as otherwise described in the Sewer Specifications, including, line size and pressure in order to service adequately the needs of the Facility and Project Site in each case consistent with the City's operating systems and (ii) to perform on an ongoing basis, and bear all costs associated with, all maintenance and repairs to all sewer lines in respect of the Facility and Project Site (except the Company shall be responsible for maintenance and repairs from the service point to the Facility), so as to keep such sewer lines in compliance at all times at then-prevailing industrial and governmental standards, or as otherwise set forth in the Sewer Specifications and (iii) that the existing infrastructure maintained by the City is fully functional and maintained at a standard of care which will permit sewer services to be provided to the Project Site and Facility for the intended purposes described herein.

(c) The City covenants to the Company that it (i) shall refrain from discriminating against the Company with respect to sewer fees or charges or rates or surcharges based upon the amount of its investment relating to either the sewer extensions or the volume requirements for sewer usage at the Facility and Project Site and (ii) will not recoup by increased rate charges for sewer services to be provided to the Company any such construction and related infrastructure improvement costs and (iii) will make rates available to the Company which reflect the lowest contractually negotiated or published rates for service requirements similar to those of the Facility.

Section 6.7 Law Enforcement and Fire Protection.

(a) The City covenants to the Company that at all times the Project Site and Facility shall receive such law enforcement services at levels which are at least comparable to those presently in place at or in proximity to the Project Site.

(b) The City shall construct and maintain a fire station at the intersection of North Hickory Valley Road and Discovery Drive or another location proximate to the Facility as designated by the Company. The Chattanooga Fire Department is a modern, well equipped and fully staffed and highly trained metro urban service which operates with an ISO Class 2 rating. This new station will be staffed twenty-four (24) hours a day, three hundred sixty-five (365) days a year with a minimum of four (4) firefighters per shift on duty at any time. There will be a total staff of fifteen (15) fully trained and equipped firefighters assigned to this location. If preferred by the Company, the City will design and construct the station to accommodate two (2) full companies, thereby effectively doubling the staffing levels stated above. (A minimum of eight (8) firefighters on duty at all times and with a total staff of thirty (30).) The City agrees to confer with the Company regarding the type of equipment to be housed at this fire department. Depending on the perceived and actual needs of the Company, the City agrees to provide a Quint, a combination pumper and ladder truck, a squad truck, hazmat or USAR equipment or other specialized rolling stock, and such other tools and facilities as reasonably requested by the Company. This new fire station will be capable of responding to the Facility with adequate manpower and equipment in under five (5) minutes of receiving a call for its services. In addition the station will be constructed to allow for an equal number of staff and equipment by the Company, as needed. The City agrees to provide the Company with a perpetual license to use the station to house its own equipment and staff, with said license to be provided at no cost to the Company. Since the Park is entirely located within the city limits of the City, greater emergencies resulting in multiple alarms will be answered by the full network of stations, staff and equipment of the Chattanooga Fire Department. Further, the Company shall be afforded the use of the proposed new Regional Fire Training facility that is to be constructed off of Highway 58 near the western edge of the Park. The City shall facilitate the training of the Company fire brigades as requested and directed by the management of the Company.

Section 6.8 Telecommunications. The City, through EPB, shall, without cost or charge to the Company, use its best efforts to coordinate and cooperate with the Company in its negotiations with a telecommunications provider for the provision of telecommunications and information technology infrastructure and services to mutually agreeable points of service at the Facility and Project Site.

Section 6.9 Abandonments. The Local Governments shall, at their cost and expense, cause the abandonment of any and all roads, easements, and/or rights of way currently encumbering the Project Site which would materially impair construction upon or use or occupancy of the Project Site and which are not shown on the Roadway Specifications.

Section 6.10 Contractors/Specifications. The Company shall have the right to engage, at its expense, a Company Representative to review all aspects of the work performed with respect to all third party contracts referenced herein. Each contracting Public Authority, will cooperate with, and cause its contractors to cooperate with, the Company Representative and promptly make information related to the performance and progress of any such work or services available to the Company Representative. The Company Representative shall have the right to review the performance of any construction manager or contractor engaged in providing such work or services at the Project Site and, where reasonable and appropriate and consistent with this Agreement or any specifications referenced herein, to require, with the consent of and through such contracting Public Authority, modifications to such work or services.

Section 6.11 Zoning. The Local Governments represent and warrant to the Company that the real property constituting the Project Site and lying entirely within the City's jurisdictional boundaries is zoned M-1 Manufacturing Zone per City of Chattanooga Ordinance 11522, February 17, 2004 and there are no conditions, restrictions, ordinances or similar provisions imposed by the City or the County and that are presently in force which would adversely affect the intended uses of the Project Site as contemplated herein. The Local Governments covenant to the Company that they will (i) inform the Company, in writing, promptly upon learning of any pending, proposed or threatened zoning, rezoning or environmental permitting activities within its jurisdictional control which could lead to a classification that would interfere with the operations of the Facility as contemplated herein and (ii) cooperate with the Company to eliminate or ameliorate any adverse impact to the Company, to the fullest extent permitted by law. The Local Governments agree to waive any height restrictions set forth in the covenants to the Project Site and agree to assist the Company in receiving a variance or other exception to the zoning of the Project Site as necessary to accommodate the construction of any structures on the Project Site which would otherwise exceed the height restrictions set forth in the applicable zoning ordinances.

Section 6.12 Naming of Industrial Park. The Public Authorities hereby agree to rename the Park as the Company determines.

Section 6.13 Multi-State Permit. To the fullest extent permitted by applicable law, the State, through DOT or otherwise, shall cause the issuance to the Company and the Company's contractors of special permits, including but not limited to, a Southern Regional Permit (Multi-State Permit Agreement), needed for heavy load truck traffic concerning (i) exceeding existing mandatory weight limitations applicable to non-divisible loads on such trucks; and (ii) Sunday movement of permitted loads for weight.

Section 6.14 Operating Times. The State and Local Governments represent, warrant and covenant that (i) there is no law, rule, or regulation of the State or County governing noise levels and/or time of operation which would preclude or restrict both construction works and future operations at the Project Site on a twenty-four (24) hours a day, seven (7) days a week

basis and, (ii) there are no impact or development fees chargeable to or payable by the Company in establishing or constructing the Facility at the Project Site.

Section 6.15 Interference. The State agrees to use its best efforts to exercise police and other powers to oppose the location of any facility in or near the Project Site that (i) would threaten damage to the Company's products, people, property, equipment or manufacturing process; or (ii) would result in air emissions or water effluent that could adversely affect the Company's ability to operate, require more restrictive emissions or effluent limitations, cause increased costs or require additional investment. The State agrees that it will, acting alone or jointly with the Company, contest the granting of Permits by appropriate State and local agencies to any such above-described facility. Notwithstanding any provision in this Section 6.15, the State will not be obligated to take any action under this Section 6.15 which would cause the State to violate State and federal law.

ARTICLE VII

TRAINING

Section 7.1 Job Training Assistance. The State, through the Department of Economic & Community Development and in accordance with the FastTrack Job Training Assistance Program, as well as the requirements and standards of the Company, agrees to commit Twenty-Four Million Dollars (\$24,000,000.00) based upon the number of Production Positions (2,000 positions at \$12,000 per Production Position. In the event there are more than two thousand (2,000) Production Positions created, each additional Production Position will qualify for up to Twelve Thousand Dollars (\$12,000.00) per Production Position. In addition, nonproduction manufacturing positions shall qualify for training assistance of Two Thousand Five Hundred Dollars (\$2,500.00) per nonproduction position. All funds under this Section 7.1 shall be applied toward Qualified Training Costs incurred by the Company in connection with training related to the Project.

Section 7.2 On-the-Job Training. The State, through the Department of Labor and Workforce Development, hereby agrees to provide on-the-job training, as directed and organized by the Company, for qualified workers in an amount up to fifty percent (50%) of such qualified workers' wages. Estimating a training program of three hundred sixty (360) hours at Nine Dollars (\$9.00) per hour for on-the-job training, this represents a contribution of approximately Three Million Four Hundred Two Thousand Dollars (\$3,402,000.00). The Department of Labor and Workforce Development will contract with the local workforce investment area to administer the grant dollars which are based on cost re-imbursement principles targeting the Company's new hires. As the Company incurs expenses, it will file for re-imbursement to the Southeast Tennessee Workforce Investment Board.

Section 7.3 Employee Recruitment and Screening. The State, through the Department of Labor and Workforce Development and in conjunction with Tennessee Career Centers, hereby agrees to provide the Applicant Recruitment and Screening Services in cooperation with the Company. Applicant Recruitment and Screening Services is valued by calculating the number of new hires multiplied by wages multiplied by two thousand eighty (2,080) (40 hours a week at 52 weeks) multiplied by six percent (6%).

Section 7.4 Funding for Training Facility. The State hereby agrees to provide the sum of Forty Million Dollars (\$40,000,000.00) to defray the costs associated with the construction of a training center and any other equipment used for training on the Project Site or at the Park. The Company will coordinate with an educational entity in the Chattanooga area to establish the courses and curriculum to be offered at the on-site training center according to the Company's requirements and specifications. The State will provide a training center for use by the Company and their suppliers at the Park in accordance with the requirements and standards of the Company. The State will finance the training center by the issuance of bonds (approximately Forty Million Dollars (\$40,000,000.00) in building and equipment) sold through the State Comptroller of the Treasury with proceeds provided through a grant from the State to the Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the "Board"). The State will provide the necessary debt service funds to satisfy the debt to the appropriate entity. The Board will lease the facility to the Company for a nominal amount (such as \$1 per year). The Company, in cooperation with the State, will determine the entity that will operate the facility on the Company's behalf. At the end of the period of indebtedness, at the option of the Company, the facility may be transferred to the Company for One Thousand Dollars (\$1,000.00). The Company may control the operation of the training center during the period of indebtedness following which time ownership will be transferred to the Company at the Company's request. The Parties intend the training center to be located at the Park, but such location may be changed to a mutually agreeable location in the County at the discretion of the Parties. The State commits to provide Two Million Dollars (\$2,000,000.00) per year for eight (8) years to the entity that will be mutually agreed upon by the State and the Company to operate the training center at the Company's direction.

Section 7.5 Tri-State Initiative. The State hereby agrees to use its best efforts to obtain from the State of Georgia and the State of Alabama training incentive packages directed toward the training of their respective citizens who will be employed at the Project Site.

ARTICLE VIII

ADDITIONAL COMMITMENTS OF THE PUBLIC AUTHORITIES

Section 8.1 No Arbitrary, Capricious and Punitive Actions. The State and Local Governments covenant to the Company that they will not take regulatory or fiscal action nor impose any state or local Tax, license fee, duty or other type of financial imposition or Liability against the Company which would constitute an arbitrary, capricious, or punitive action against the Company, including the imposition of any such regulation, state or local Tax, fee, duty or Liability that by its nature would apply primarily to the Company or its employees to the exclusion of most other businesses and taxpayers within the jurisdiction of the State or Local Governments.

Section 8.2 Vendors. The State recognizes and acknowledges that (i) the Company may enter into agreements with suppliers, contractors and vendors (collectively, the "Vendors") to provide them with local content products and services, and (ii) certain of such Vendors may construct facilities upon parcels of land on and in reasonable proximity to the Project Site for the purpose of providing such products and services. To the extent it qualifies

under the applicable Tax and other laws, rules and regulations of the State, the State, Agencies and Local Governments, will negotiate in good faith with each Vendor the availability of:

- (a) credits available from Capital Investments against State franchise and/or excise Tax;
- (b) applicable Tax abatements;
- (c) statutory Tax-based and fiscal incentives described herein; and
- (d) eligibility to apply to receive an industrial development grant through any applicable Public Authorities, in the maximum amount permitted by law, based upon the Vendor's industrial development, to be utilized by such Vendor to defray costs of Site Preparation Work in connection with such Vendor's facilities.

It is expressly acknowledged by the Public Authorities, that (i) the benefits to the Vendors as set forth herein are separate and distinct from the inducements otherwise intended to be made available to the Company in accordance with this Agreement and (ii) no such benefits granted to or made available to any such Vendors will in any manner preclude, diminish or adversely impact in any manner upon the inducements and the value thereof intended to be made available to the Company pursuant to this Agreement.

Section 8.3 Company Owned Vehicles. The State hereby covenants to use its best efforts to enact legislation in accordance with the Legislative Schedule, exempting (i) all Company owned vehicles, including pooled, assigned, leased and test vehicles and (ii) all vehicles given to Company executives by the Company for such executives' personal use, from registration, titling, sales tax, use tax, property tax, lease tax or any other assessments. The State hereby agrees to use its best efforts to seek the assistance of the State of Georgia and the State of Alabama in exempting all Company owned vehicles used by employees residing in these states from Georgia and Alabama registration, titling, sales tax, property tax, lease tax or any other assessments.

Section 8.4 Limitation of Competitor Incentives by Local Governments. The Local Governments hereby agree not to offer discretionary incentives or credits to competitive original equipment manufacturers within the defined boundary of the County for a period beginning on the Effective Date and continuing for two (2) years following Start of Production.

Section 8.5 Limitation of Competitor Incentives by State. The State hereby agrees not to offer discretionary incentives or credits to competitive original equipment manufacturers within one hundred (100) road surface miles of the Project Site for a period beginning on the Effective Date and continuing for two (2) years following Start of Production.

Section 8.6 Location Restrictions. The Local Governments hereby agree that, during the term of this Agreement, they will not allow any companies to locate within the Park which, in the Company's sole and absolute discretion, would negatively impact the Company in any way, including but not limited to companies that potentially would (i) threaten damage to the Company's products, people, property, equipment or manufacturing process; or (ii) result in air emissions or water effluent that could adversely affect the Company's ability to operate, require

more restrictive emissions or effluent limitations, cause increased costs or require additional investment.

Section 8.7 Conservation Restrictions. The Local Governments hereby agree to use their best efforts to encourage the grantor to amend the Site Buffer Deed to add the Company as a beneficiary of the deed restrictions so as to require the Company's consent to any proposed amendments thereto. The Local Governments agree to collaborate with the Company in the design of the Park and to consult with the Company regarding any future changes therein.

Section 8.8 Reconveyance. The Local Governments hereby agree to cooperate with the Company by accepting any proposed reconveyance of any portion of the Project Site (and/or the Expansion Site) which the Company proposes to make during the term of this Agreement.

Section 8.9 Reimbursement for Loss of Business. The Local Governments hereby agree to pay to the Company the sum of Twenty-Five Thousand Dollars (\$25,000.00) per Business Day lost as a result of construction delays in the Project Schedule caused by any Public Authority or authorities, agencies, departments or other entities within the Local Governments' control.

Section 8.10 Nontaxable Private Activity Bonds. The State, at the request of the Company, shall provide a bond allocation in an amount requested by the Company to permit the Company to finance its Exempt Facilities through the issuance of private activity bonds, the interest on which is excludable from gross income for federal income tax purposes in the maximum amount permitted by law. IDB shall cooperate and assist the Company in connection with the issuance of said exempt facility bonds.

ARTICLE IX

GOODWILL AND COMMUNITY INVOLVEMENT

Section 9.1 Waiver. The State agrees to use its best efforts to encourage State universities and colleges to grant waivers of residency requirements pursuant to Code Section 16-64-2, for tuition purposes, for all Full-time Employees and their families.

Section 9.2 Groundbreaking Ceremony. The Chamber, at no cost to the Company, will hold groundbreaking ceremonies at the Project Site at such times and in such manner as may be mutually agreeable to the State, the Chamber and the Company.

Section 9.3 Employee Assistance. The Chamber appreciates the importance to employee satisfaction and productivity of smooth, rapid and effective integration of the Company employees who relocate to the State. Accordingly, the Local Governments shall provide, sponsor or coordinate, at no cost or charge to employees of the Company, throughout Site Preparation Work and for a reasonable period thereafter, various services, which may include, without limitation, (i) community welcome activities, (ii) family resources, (iii) recreational and cultural amenities, (iv) adult education classes, and (v) community orientations. Further, the State, through the office of the Governor, agrees to assist the Company and its

personnel (and their family members) who seek to relocate to the United States, either temporarily in connection with the Project or permanently as Full-Time Employees, with respect to obtaining necessary visa and work permits from the federal government. If requested by the Company, the State will also send a letter to the United States Embassy in Germany, or elsewhere as applicable, requesting expedition of visas for the Company personnel (and their family members) who seek to relocate to the United States in connection with the Project.

Section 9.4 Temporary Office Space. The Parties understand the importance of, and wish to promote, the provision of a positive and conducive work environment during Site Preparation Work and start-up of the Facility. Accordingly, the County, through the Eastside Utility District, commits to provide to the Company, at no cost to the Company, a twenty thousand (20,000) square foot class A office space adjacent to the Project Site with ten thousand (10,000) additional square feet of space that may be outfitted by the County for office use or in support of construction activities. The County represents that such facility also has a fifty (50) space paved parking lot. The County hereby agrees to provide such office space to the Company until January 1, 2013.

Section 9.5 "Green" Welcome Center

(a) The Local Governments shall collaborate with the Company to design, construct and establish a "green" welcome center (the "*Welcome Center*") reasonably near the Project Site entrance off of I-75 which will provide the Company with an opportunity to communicate its brand to approximately fifty-five million (55,000,000) travelers each year and will provide the Local Governments with an opportunity to emphasize the adjacent passive park and recreational area.

(b) The Local Governments hereby agree to (i) match the Company, on a dollar for dollar basis, up to Six Million Dollars (\$6,000,000.00) towards the construction of the Welcome Center, (ii) provide the necessary land for the Welcome Center and (iii) pay for all ongoing operating costs associated with the portion of the Welcome Center dedicated to emphasizing the adjacent passive park and recreational area. The passive park property is intended for the express use as a park and buffer area, therefore, each acre used for the Welcome Center will be offset by adding another acre to the adjacent park area. The Local Governments hereby agree to allow the Company to use any unused funds remaining in Section 6.2 to meet its matching obligation under this Section 9.5.

(c) Upon request by the Company, the Local Governments shall transfer ownership of the Welcome Center to the Company for nominal consideration. If the Company determines not to take ownership of the Welcome Center, the terms and conditions pursuant to which the Company will maintain control over the Welcome Center will be set forth in a management agreement and upon request by the Company, the Local Governments agree to lease back the Welcome Center to the Company for a nominal annual amount.

(d) The Welcome Center shall be compliant with and certified under the U.S. Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) for New Construction Rating System, Version 2.2 (or a newer version if in existence at the time that construction begins) as a LEED for New Construction certified building. Alternatively, the

Company reserves the right to require in its sole discretion, that another "green" certification (e.g., the Green Building Initiative's (GBI) Green Globes certification program) be utilized for purposes of verifying that the Welcome Center meets green building and performance measures.

(e) The Company shall participate in the selection of the Welcome Center Project Team for the Welcome Center. For purposes of this subparagraph, "*Welcome Center Project Team*" means the architect(s), contractor(s), subcontractor(s), attorney(s), LEED Accredited Professional(s), materials manufacturer(s) and other professionals involved with design and construction of the Welcome Center. Local philanthropic foundations may also be sought by the Local Governments to contribute to the Welcome Center.

Section 9.6 German School. The County shall integrate a German curriculum into its existing school system by January 2009 at no cost to the Company. The scope and parameters of such curriculum shall be developed in cooperation with a German school district educational partner as identified by the Company. The German curriculum to be established in the County must be reasonably satisfactory to the Company and comply with German educational standards.

Section 9.7 Ambassadors Program. The Chamber shall create an Ambassadors program to welcome Company employees and help integrate them into the community through the following means and others as developed through discussions with the Company: (i) community tours, (ii) community orientation presentations, (iii) introductions between Company executives and local business leaders, (iv) community hotline to answer questions and make referrals, and (v) spousal employment assistance.

Section 9.8 Temporary Living Quarters. The Chamber has identified ten (10) hotels in the immediate vicinity of the Project Site that are prepared to offer twenty-five (25) to fifty (50) rooms for a ninety (90) day period at a cost of fifty dollars (\$50.00) to seventy dollars (\$70.00) per room per night.

Section 9.9 Naming of Roads. The Public Authorities agree, at their sole cost and expense, to take all steps necessary to cause the naming or renaming, as applicable, of any roads requested by the Company; provided that the name of any road selected by the Company is not confusingly similar to the name of an existing road. Further, the Public Authorities shall provide required renamed road signage and sign posts at no cost to the Company.

Section 9.10 Marketing and Public Relations. The State hereby commits to provide Two Million Dollars (\$2,000,000.00) to be applied toward expenses related to marketing and public relations for the Project and the Company. These funds will be utilized to promote a partnership between the Company and the State. This partnership will showcase the Company's investment in the State and to broaden the knowledge of the Company's leadership in clean diesel technology along with the State's leadership in new fuel development and such other areas of mutual interests that the State and the Company would like to emphasize. The State, through the efforts of the Department of Economic & Community Development's Assistant Commissioner of Communications and Creative Services, will work closely with the Company's counterpart to ensure that the marketing campaign highlights the Company's attributes to the State and the environment by marketing the Facility as a showcase for "green" manufacturing

and any other marketing campaigns deemed necessary to fully utilize all funds committed toward this purpose.

ARTICLE X

ENVIRONMENTAL MATTERS

Section 10.1 Site Preparation and Project Operation in Compliance with Environmental Law. The Public Authorities represent, warrant, covenant and agree that, as of the Effective Date, reasonable improvements have been or will be made to and around the Project Site in order to ensure completion of Site Preparation and subsequent operation of the Project in a timely manner so as not to adversely affect the Project Schedule. Such improvements will be in compliance with, and will bring the Project Site into compliance with, any Environmental Law and will protect against any damages to natural resources. Without limitation, such warranties, reasonable improvements and related Permit compliance will include:

- (a) the implementation of any terms and conditions, including all mitigation, required by any Permit issued by the United States Army Corps of Engineers pursuant to section 404 of the Clean Water Act or Section 10 of the Rivers and Harbors Act, and/or by the Tennessee Department of Environment and Conservation for the discharge to or the dredging, relocation, rerouting, diversion, or alteration of any waters of the United States or the State, to include a Water Quality Certification by the State pursuant to Section 401 of the Clean Water Act or an Aquatic Resource Alteration Permit issued by the State pursuant to the Tennessee Water Quality Control Act. Such terms and conditions may include, without limitation, the creation, restoration, enhancement or preservation of any wetlands or other water bodies, and or mitigation for adverse impacts to the same. Further, the Public Authorities represent, warrant, covenant, and agree that all permits, certifications, or other required authorizations under this section, including mitigation requirements, will not prevent, disturb, delay or hamper the Project Site from being developed and/or the Project from being constructed pursuant to the Project Schedule;
- (b) land disturbance activities and the removal and/or relocation of trees and other timber;
- (c) the implementation of any conservation measures or reasonable and prudent measures determined to be necessary to address potential impacts to Protected Species whether located directly on or off the Project Site (including, without limitation, cavity tree and activity updates, biological assessments, relocation, notifications, establishment of buffers, mitigation planning and consultation and actual mitigation);
- (d) the completion of geotechnical analyses of the Project Site, including, without limitation, preliminary (performance of groundwater studies and additional borings) and final (Project Site plan boring) analyses and core drilling analyses, the results of which confirm that (i) the Project Site is not located over or adjacent to any current or former underground mine works or surface mining operations, (ii) the Project Site and all adjacent properties maintain the right of all subsurface and subjacent support, (iii) no sinkholes or land subsidence exists or has

ever existed or has been repaired on the Project Site, (iv) no cut or fill or other grading operations have occurred on the Project Site, and (v) the Project Site is not located over any inadequate or unsuitable soils or geologic formations, natural or man-made water wells or sources, caves, natural voids or geologic faults, that would prevent, disturb, delay or hamper the Project Site from being developed and/or the Project from being constructed, properly maintained and free from settlement thereon for the purposes contemplated hereunder and that the Project Site would, in fact, properly and adequately support the construction of the Project on the Project Site; and

(e) the implementation of a modification(s) to any existing use restrictions or limitations, except those related to the groundwater access restrictions, imposed by judicial or administrative orders pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act, the federal Resource Conservation Recovery Act, their state counterparts, any relevant Department of Defense or Department of the Army programs (to include the Installation Restoration Program), and/or their implementing regulations in association with the Project Site.

The cost of the foregoing implementation and compliance shall be borne solely by the Public Authorities. Furthermore, such implementation and compliance shall be achieved so that the development of the Project Site and the construction and operation of the Project thereon would be permissible, in accordance with the Project Schedule, and not in violation of any applicable law. If any event described in Section 10.1(a) through (e) occurs after the Effective Date, the effect of which would be to halt or slow down Site Preparation Work and/or Site Preparation Work in accordance with the Project Schedule, the State shall take any and all actions as expeditiously as possible to coordinate with the Company to achieve a solution satisfactory to the Company to such event or minimize such event so that the adverse effect of such event shall not delay or jeopardize the completion of Site Preparation Work and/or Site Preparation Work in accordance with the Project Schedule.

Section 10.2 Environmental Permits.

(a) The Public Authorities represent, warrant, covenant and agree that all Permits that are required for Site Preparation Work and/or construction, maintenance, and operation of the Project are identified on EXHIBIT X and, except as otherwise identified on EXHIBIT X, each has been or will be obtained or issued in a timely manner so as not to adversely affect the Project Schedule or the subsequent operation of the Project, including without limitation, any and all Permits required for: (i) land disturbance, (ii) tree removal and reforestation, (iii) the obstruction, relocation, alternation, or rerouting of aquatic resources, whether local, state, or federal, (iv) the withdrawal of surface water, (v) the taking, disturbance, destruction, and/or mitigation of Historic Properties and Protected Species, (vi) the management or discharge of wastewater or storm water during both construction and operation of the Project, to include National Pollutant Discharge Elimination System Permits and State Indirect Discharge Permits, (vii) the Company's desired utilization of the Project Site without unacceptable (in the Company's sole discretion) limitations on such utilization previously imposed by judicial or administrative orders pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act, the federal Resource Conservation Recovery Act, their state counterparts, any relevant Department of Defense or Department of the

Army programs (to include the Installation Restoration Program), and/or their implementing regulations in association with the Project Site, (viii) the management, transportation, disposal and/or remediation of solid waste, hazardous waste, and Hazardous Materials, (ix) the dredging and/or filling of waters of the United States, (x) compliance with section 401 of the Clean Water Act (water quality certification) and (xi) notwithstanding Section 10.4 below, the construction and/or operation of any air emissions source(s) associated with the Project and its operation.

(b) The permitting assistance obligations set forth in Section 3.2 of this Agreement shall likewise apply to the permits referenced, expressly or generally, in Section 10.2(a) above.

Section 10.3 Environmental Site Assessments, Remedial Activities and Related Assurances

(a) The Public Authorities shall, with respect to the Project Site and without cost or charge to the Company, cause the preparation and submission to the relevant authorities of any assessments, reports, or analyses (collectively, "*assessments*") regarding the environmental condition of the Project Site and/or impacts to the environment, including Protected Species, the human environment, and other natural resources and Historic Properties which may be required for the planned development of the Project Site as contemplated in this Agreement, pursuant to any federal, state or local law as a condition to the development of the Project Site, or as may be required by the Company. Such assessments may include, but are not necessarily limited to, environmental site assessments, environmental assessments, environmental impact statements, and cultural resource assessments.

(b) With respect to the assessments referenced above, each shall specifically provide by its terms that such assessment is for the benefit of the Company and contain an acknowledgment from the company performing the work that the Company as well as any and all lenders with respect to the Project shall be entitled to rely upon the results of such reports. To the extent that any such assessments have already been completed in association with the Project, the Public Authorities shall cause such acknowledgments to be executed with respect to such existing assessments. Furthermore, the Company will be allowed to review and approve all companies providing any assessment issued pursuant to this paragraph, shall have the right of prior approval of any engagement agreements proposed with such companies, and shall have the right to review and comment upon any final drafts of such assessments prior to their submission to third parties, to include federal, state, and local regulatory agencies, or the public. Such reports or analyses may be in addition to the assessments conducted to date and identified in subsections 10.3(d) and 10.3(e) below.

(c) In addition to the foregoing assessments, the Public Authorities shall cause to be provided to the Company any and all documents in their possession (or reasonably obtainable by them upon request) related to any judicial or administrative orders, investigations, assessments, response or corrective actions, sampling or monitoring events, remediation, or similar activities associated with the Volunteer Army Ammunition Plant, whether historic or ongoing. Such documents shall include, but are not limited to, Preliminary Assessments, Site Inspections, Remedial Investigations, Feasibility Studies, RCRA Facility Assessments, RCRA Facility Investigations, Interim Actions, Corrective Measures Studies, documents related to a

Corrective Measures Implementation, No Further Action Letters, Decision Documents, Records of Decision, the RCRA 3008(h) corrective action administrative order issued in 2001, and the agreement by which the U.S. Army transferred the Project Site to the Local Governments in 2000. Such documents shall be provided within fourteen (14) calendar days of the Effective Date of the Agreement.

(d) The Public Authorities have heretofore, and without cost or charge to the Company, caused to be delivered to the Company the Phase I Environmental Site Assessment titled "Phase I Environmental Site Assessment Report – Enterprise South Industrial Park," and dated June 17, 2008 (the "*Phase I Environmental Site Assessment*") prepared by ECS Southeast LLC, which complies in all respects with ASTM 1527 05, 40 CFR Part 312 and any equivalent state statutory or regulatory requirements for the assertion of applicable defenses to liability, such as the "innocent purchaser defense," "bona fide prospective purchaser defense," and/or "contiguous property owner defense" as those terms are used under the Comprehensive Environmental Response, Compensation, and Liability Act.

(e) The Public Authorities have heretofore, and without cost or charge to the Company, caused to be delivered to the Company the Limited Phase II Environmental Assessment – Enterprise South Industrial Park – Project Polar Bear" and dated June 17, 2008 (the "*Control Site Assessment based on Phase II ESA*") prepared by ECS Southeast LLC. The Parties agree that the Control Site Assessment based on Phase II ESA, although limited in nature, revealed that certain Hazardous Materials are or may likely be present at the Project Site. Accordingly, the Public Authorities hereby agree that, upon the request of the Company, they will cause ECS Southeast LLC or some other mutually acceptable environmental professional to complete any additional Phase II environmental site assessments that the Company, in its sole discretion, may deem necessary to fully delineate the extent of the presence of Hazardous Materials at the Project Site.

(f) The Public Authorities further agree that, should the Company, in its sole discretion, determine that further investigation, mitigation, corrective action, or remediation of Hazardous Materials, Protected Species, Historic Properties, or other conditions at the Project Site is required for the construction, modification, expansion, and/or operation of the Project, then the Public Authorities, at their cost and expense shall, consistent with the timing set forth in the Project Schedule, cause such investigation, corrective action and/or remediation work to be undertaken as may be necessary to permit the development of the Project Site as contemplated herein without additional costs or the use of institutional controls unacceptable to the Company.

(g) The Company may, in lieu of or in connection with requiring certain investigation, corrective action, mitigation or remediation to occur, opt to receive formal and legally binding assurances from the Public Authorities that no regulatory action will be pursued against the Company related to the presence of such Hazardous Materials, Protected Species, Historic Properties, or other conditions on the Project Site. If the Company opts to rely, in whole or in part, on such assurances, then the Public Authorities shall expeditiously provide such assurances prior to the Company acquiring either legal title to or a leasehold on the Project Site. To the extent that the Company desires similar assurances from federal agencies, then the Public Authorities agree to seek and obtain such assurances on behalf of the Company from such agencies prior to the Company acquiring either legal title to or a leasehold on the Project Site.

(h) The Public Authorities covenant that they have obtained an environmental insurance policy through American International Group, Inc. ("AIG") in the amount of Thirty-Five Million Dollars (\$35,000,000.00), a copy of which is attached hereto as EXHIBIT Y. At the request of the Company, the Public Authorities will work with AIG to add the Company as an additional insured at no cost to the Company. The Public Authorities will be responsible for administration and deductibles associated with the policy or policies. The procurement of such policy shall not relieve the Public Authorities of their indemnity responsibilities set forth in Sections 10.4 and 10.5 hereto.

(i) In addition, in connection with, or in lieu of the foregoing actions, activities, and assurances, the Company may opt to require that the Public Authorities obtain from a mutually acceptable underwriter, at the sole cost and expense of the Public Authorities, a Cleanup Cost Cap environmental insurance policy naming the Company, its successors and assigns, and their respective agents, officers, directors, shareholders or trustees as named insured. The terms and conditions of such policy to include the types of coverage, coverage limits, deductibles, and term of coverage shall be at the sole discretion of the Company. The Public Authorities will be responsible for administration and deductibles associated with the policy. The procurement of such policy shall not relieve the Public Authorities of their indemnity responsibilities set forth in Section 10.5.

(j) To the extent permitted by law, all of the foregoing analyses, reports, and assessments shall be treated as confidential except as may be required to effect the purposes and intentions of the Agreement.

Section 10.4 Environmental Offsets. In the event emissions "offsets" are required in order to obtain authorization under the Clean Air Act (42 U.S.C. Section 7401 *et seq.*) or related state and local laws to construct or operate or continue to operate the Project and any modification or expansion thereof, the Air Pollution Control Authority will create, maintain and defend a system to facilitate the creation, banking, trading and utilization of such offsets. In addition, the Local Governments will provide to the Company, free of charge, any such offsets as may be required for the construction, operation or continued operation of the Project and any modification or expansion thereof, or, in the alternative, the Local Governments will reimburse the Company for all costs incurred by the Company to create, maintain and defend such a system and to obtain such offsets by whatever means deemed appropriate by the Company.

Section 10.5 Environmental Indemnification.

(a) To the fullest extent permitted by applicable law, the Public Authorities hereby agree, jointly and severally, to release, indemnify, reimburse, hold harmless and defend the Company from and against any and all:

(i) Environmental Conditions arising out of or in any way related to events, occurrences or circumstances prior to and including the Effective Date, irrespective of the date of discovery;

(ii) Environmental Claims; or

(iii) losses, damages, fines, penalties, remedial costs, legal expenses (including, without limitation, the payment of expert and attorneys' fees and expenses, and to include such costs, fees, and expenses should the Company choose, in its sole discretion, to intervene in a legal action related to any Permit, Environmental Claims, or Environmental Conditions related to the Project or the Project Site), other related costs associated therewith, or any liabilities of any nature whatsoever, whether to person, property or natural resources, which the Company may incur that arise out of or in any way relate to the Project Site, Hazardous Materials, or the violation of any Environmental Laws, and that arise out of or are in any way related to events, occurrences or circumstances prior to and including the Effective Date, irrespective of the date of discovery.

(b) This environmental indemnity shall survive indefinitely (including, without limitation, surviving the termination of this Agreement).

(c) To the extent that the Public Authorities are, jointly or singularly, indemnified by previous owners or operators of the Project Site for the events listed in Section 10.5(a)(i) through (iii) above, the Public Authorities shall advise the Company accordingly and, upon the Company's request, shall cause such indemnification to be transferred to the Company and to otherwise accrue to the Company's benefit. However, the transfer of such indemnification by the Public Authorities to the Company shall not relieve the Public Authorities of their own indemnity responsibilities set forth in this section.

Section 10.6 Historic Properties and Protected Species. The Public Authorities hereby agree to determine, through appropriate assessments and consultations, whether the Project Site or surrounding areas contain Historic Properties or Protected Species and whether the presence of such Historic Properties or Protected Species will, in the sole discretion of the Company, affect the use of the Project Site for construction and operation of the Project. If so, the Public Authorities hereby agree to address those potential effects to the satisfaction of and without cost to the Company and in a timely manner so as to not adversely affect the Project Schedule.

ARTICLE XI

TERMS AND CONDITIONS

Section 11.1 Certain Representations and Warranties.

(a) Each Public Authority separately represents and warrants to the Company that it has the legal power and authority to enter into this Agreement, and any Ancillary Agreement, to which it is or will become a party, and to make the respective commitments made herein or therein, and to the extent that any Public Authority requires the authorization, approval or consent of any other Public Authority, or any third party for it to have made the commitments contained herein, or any Ancillary Agreement to which it is or will become a party, that such authorizations, approvals and consents have been duly obtained in accordance with applicable law and procedures.

(b) Each Public Authority separately represents and warrants to the Company that (i) the execution and delivery by it of this Agreement, and any Ancillary Agreements to which it is or will become a party, the performance by it of its obligations hereunder or thereunder, and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary actions on the part of it and (ii) this Agreement, and any Ancillary Agreement to which it is or will become a party, constitutes a legal, valid and binding obligation of such Public Authority, enforceable against it in accordance with its terms.

Section 11.2 Authorizing Resolutions; Legal Opinions.

(a) Annexed hereto as EXHIBIT Z, are forms of opinion letters, original signed versions of which are to be delivered on the date hereof and addressed to the Company, from (i) legal counsel for each of the IDB and the Local Governments, in each case with respect to this Agreement and the Ancillary Agreements and (ii) legal counsel to the Governor of the State and the Attorney General of the State in each case with respect to this Agreement and the Ancillary Agreements, and which include an opinion that neither this Agreement and any Ancillary Agreement taken as a whole nor any provision contained herein or therein violates any provision of the Constitution of the State of Tennessee.

(b) Each of the Public Authorities shall deliver to the Company on the date hereof the opinion letters set forth in EXHIBIT Z attached hereto of their respective legal counsels in form and substance reasonably acceptable to the Company and its counsel to the effect that each such Party with respect to which the opinion is given (i) has the legal power and authority to enter into this Agreement, (ii) is duly authorized to make and carry out the respective commitments made in this Agreement in accordance with applicable law and procedures, and (iii) that this Agreement is a legal, valid and binding obligation of the relevant Party enforceable in accordance with its terms.

Section 11.3 Specific Performance. Each of the Public Authorities acknowledges and agrees that the Company would be damaged irreparably in the event that any of the provisions of this Agreement (and any Ancillary Agreement) are not performed by any of the Public Authorities in accordance with their specific terms or otherwise are breached. Accordingly, each of the Public Authorities agree that the Company, shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and any Ancillary Agreement and, to the extent permitted by law, to enforce specifically this Agreement and any Ancillary Agreements and any of the terms and provisions hereof or thereof applicable to it (or them) in any action instituted in any court having jurisdiction over the affected Public Authorities and the matter, in addition to any other remedy to which the Company may be entitled, at law or in equity. Prior to filing an action for injunctive relief, the Company must give written notice of any claimed breach which provides the applicable Public Authority with a thirty (30) day period to remedy the breach. The Public Authorities acknowledge and agree that if the Company institutes any action or proceeding to enforce any provision hereof or in any Ancillary Agreement, such Party or Parties against whom such action or proceeding may be lawfully brought hereby waives the claim or defense that the Company, has or will have an adequate remedy at law for money damages. Further, each Public Authority is responsible only for its obligations assumed hereunder and is not responsible for the obligations of any other Public Authority.

Section 11.4 Retention of Contractors and Vendors. The Public Authorities acknowledge and agree that all contractors and vendors retained by the Company in connection with the matters contemplated herein shall be selected in the sole discretion of the Company and that the Company shall have no obligation to choose any contractors or vendors recommended by any of the Public Authorities. Notwithstanding the foregoing, the Company acknowledges that it has adopted and will implement a policy intended to afford local contractors with a fair opportunity to submit work proposals and be considered for work at the Project Site.

Section 11.5 Time is of the Essence. The Public Authorities and the Company acknowledge and agree that (i) any delay in the completion of the Facility and occupancy thereof by the Company may cost the Company and/or the Public Authorities substantial amounts of money and, therefore, time is of the essence as to all terms and conditions set forth herein, and (ii) they will use best efforts in their attempt to have the matters contemplated herein proceed on the basis of the time schedule dictated by the terms of this Agreement and by the Project Schedule, provided, however, that the Parties acknowledge that, subject to the terms of this Agreement, the Project Schedule is subject to change from time to time by the Company in accordance with its business requirements, and any such change which requires an extension of time within the Project Schedule shall not be considered a determination not to proceed with the matters contemplated herein for the purposes of this Section 11.5.

Section 11.6 Change in Law. Each Public Authority acknowledges that the Company will be eligible for certain statutory and negotiated tax incentives, including but not limited to those listed on EXHIBIT AA attached hereto, and each of the other incentives and inducements set forth herein, as of the date hereof. Each of the Public Authorities covenants to the Company that in the event of any change in law, the result of which would be to lessen to, or remove from, the Company the economic benefit of any such tax incentive or any other incentive or inducement of whatever nature identified in this Agreement which would have been available during such period under the law in effect on the date hereof, including any economic benefit negatively affected by application of the holdings and decision in the Cuno Case (or other directly comparable case), within the State, the Public Authorities shall exercise their best efforts to provide the Company with an exemption from the law as so changed. In the event an exemption from the law as so changed is not achieved within a reasonable time period under the particular circumstance, then to the extent that a Public Authority has been responsible (or in the case of a Cuno situation, affected thereby) for such change in law that Public Authority shall provide the Company with another incentive having equivalent economic value and or effect to the statutory or other incentive or inducement so lessened or removed from that Public Authority's obligation to the Company hereunder.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Term of Agreement. The term of this Agreement shall commence on the date hereof (the "*Effective Date*") and continue in effect through December 31, 2099.

Section 12.2 Governing Law. The governing law of this Agreement shall be the law of the State of Tennessee, without regard to conflicts of law provisions.

Section 12.3 Severability. In case any one or more of the provisions contained herein should be invalid, illegal or unenforceable in any respect and for any reason whatsoever, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, and in the event any such provision is held to be invalid, illegal or unenforceable, those Parties affected by such event shall exercise their best efforts to agree upon a provision in substitution for such invalid, illegal or unenforceable provision that is as near in economic benefit as possible to the provision found to be invalid, illegal or unenforceable.

Section 12.4 Notices. Any notice, request, demand, claim, or other communication hereunder shall be in writing and shall be deemed duly given or made (i) when personally delivered to the intended recipient (or an officer of the intended recipient), (ii) six (6) days after it is sent by certified first class mail, return receipt requested, postage prepaid, (iii) three (3) days after it is sent by recognized overnight courier service, or (iv) when sent by facsimile service (with such facsimile to be confirmed promptly in writing sent by mail or overnight courier as aforesaid), to the following addresses and recipients:

STATE OF TENNESSEE

Governor's Office
Tennessee State Capitol
Nashville, Tennessee 37243-0001
Telephone: 615-741-2001
Attention: Honorable Phil Bredesen

CITY OF CHATTANOOGA

City of Chattanooga
100 East 11th Street
Chattanooga, Tennessee 37402
Telephone: 423-425-7800
Attention: Mayor Ron Littlefield

HAMILTON COUNTY

Hamilton County
Hamilton County Court House, Suite 209
Chattanooga, Tennessee 37402
Telephone: 423-209-6105
Attention: County Mayor Claude Ramsey

INDUSTRIAL DEVELOPMENT
BOARD OF THE CITY OF
CHATTANOOGA

Industrial Development Board of the
City of Chattanooga
City Hall, Suite 100
101 E. 11th Street
Chattanooga, Tennessee 37402
Telephone: 423-757-5152
Attention: Michael A. McMahan

CHATTANOOGA AREA CHAMBER
OF COMMERCE

811 Broad Street, Suite 100
Chattanooga, Tennessee 37402
Telephone: 423-763-4335
Attention: Trevor Hamilton

VOLKSWAGEN GROUP OF
AMERICA, INC.

2200 Ferdinand Porsche Drive
Herndon, VA 20171
Telephone: 703-364-7240
Attention: David Geanacopoulos

With a copy to:

Balch & Bingham LLP
1901 Sixth Avenue North, Suite 1500
Birmingham, Alabama 35203-4642
Telephone: 205-226-3445
Attention: Alex B. Leath, III

and:

Jones Lang LaSalle
15601 Dallas Parkway, Suite 400
Addison, Texas 75001
Telephone: 972-361-5409
Attention: Keith A. Scott

or to such other address as the receiving Party shall have most recently forwarded to the sending Party pursuant to the provisions of this Section 12.4.

Section 12.5 Confidentiality. Each Public Authority understands the importance to itself and the Company of keeping details concerning the transactions contemplated hereby strictly confidential. Accordingly, each Public Authority acknowledges that, subject to all applicable laws which require disclosure of public records, all confidential, proprietary and trade secret information of the Company which has been delivered or otherwise made available to the Public Authorities is subject to the confidentiality agreement entered into among the Parties and may not otherwise be disclosed to any third party except in accordance with such respective agreement or as mandated by applicable law. Each Public Authority hereby agrees to redact any information in this Agreement which the Company deems, in its sole and absolute discretion, proprietary. The State hereby agrees that it will not publish any of the Letter Rulings issued in connection with this Agreement.

Section 12.6 Press Releases. Each of the Public Authorities agrees to cooperate fully to coordinate with the Company in connection with all press releases and publications concerning the transactions contemplated by this Agreement. The Parties agree that the State shall have sole responsibility in coordinating with the Company in this regard, provided, however, that the initial press release announcing the Project contemplated herein shall also be coordinated with the Local Governments. No press releases relating to the transactions contemplated by this Agreement will be issued by any Public Authority without the prior written approval of the Company. The Company shall be free to issue or file with all applicable regulatory authorities such documents as such entity considers necessary or appropriate,

including without limitation, all filings with the appropriate securities law authorities and stock exchanges.

Section 12.7 Assignment.

(a) This Agreement is not assignable by the Public Authorities.

(b) The Company shall have the right to assign this Agreement and all of its rights, interests and obligations created and set forth herein, at any time, to any Affiliate which is a U.S. legal entity. Upon any such assignment and assumption thereof by an assignee, the Company shall notify the Public Authorities.

Section 12.8 Binding Nature. It is the intention of the Parties that the commitments and obligations set forth herein shall be binding upon the Parties hereto and their respective successors and permitted assigns.

Section 12.9 Further Assurances. Each of the Public Authorities agrees to do all things and take all actions required after the date hereof (i) to cause the establishment of the Facility and (ii) to address the other matters contemplated herein, including the obtaining, execution and delivery of all necessary or desirable signatures, agreements, filings, consents, authorizations, approvals, licenses or deeds.

(a) Although specific commitments to the Company have been made by the respective Public Authorities, in this Agreement and/or the agreements attached as exhibits hereto, the State acknowledges that the State has arranged all such commitments and agreements as an entire incentive package designed to induce the Company to locate the Project within the State and, without limiting the liability of such Public Authorities pursuant to their respective commitments to and/or agreements with the Company, the State is prepared and is willing and agrees to oversee the due performance by each Public Authority of each and every commitment or agreement made by them to or with the Company. The State reserves the right to direct that its obligations hereunder be performed by Public Authorities other than those Public Authorities designated hereunder, fully accepting that the State retains full responsibility for all of its obligations set out hereunder; provided, however, that the State shall provide advance written notice to the Company of any change in such designations in accordance with Section 12.4 hereof. Accordingly, the State shall use its best efforts to either (i) cause another agency of the government of the State or non-agency party to provide due performance of such obligations on a timely basis or (ii) otherwise provide due performance of such obligations.

(b) As an additional assurance, in the event of a Public Authority's "nonperformance," the State agrees to use its best efforts to promptly provide performance of the obligation. A nonperformance shall occur upon a Public Authority's failure to satisfy any of its commitments or obligations, financial or otherwise, contained in this Agreement within the time frame provided for such commitment or obligation.

Section 12.10 No Third Party Beneficiaries. Other than as set forth in this Agreement, this Agreement shall not confer any rights or remedies upon any person other than the Parties and their respective successors and permitted assigns.

Section 12.11 Article and Section Titles and Headings. The article and section titles and headings are for convenience only and do not define, modify or limit any of the terms and provisions hereof.

Section 12.12 Incorporation of Exhibits, Annexes, and Schedules. The exhibits, annexes, and schedules identified in this Agreement and annexed hereto are incorporated herein by reference and made a part hereof. If any provision of this Agreement conflicts with or is inconsistent with any Ancillary Agreement relating to the matters contemplated hereby or with any exhibit, annex or schedule annexed hereto, the terms, conditions and obligations set forth in this Agreement shall control.

Section 12.13 Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and duly signed by an authorized representative of each of the Parties. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

Section 12.14 Construction. In this Agreement, unless the context indicates otherwise, the singular includes the plural and the plural the singular, references to statutes, sections or regulations are to be construed as including all statutory or regulatory provisions consolidating, amending, replacing, succeeding or supplementing the statute, section or regulation referred to; references to "writing" includes printing, typing, lithography, facsimile reproduction and other means of reproducing words in a tangible visible form; the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation" or "but not limited to" or words of similar import; references to articles, sections (or subdivisions of sections), exhibits, appendices, annexes or schedules are to those of this Agreement unless otherwise indicated; references to agreements and other contractual instruments shall be deemed to include all exhibits, schedules and appendices attached thereto and all subsequent amendments and other modifications to such instrument; references to days shall mean calendar days unless otherwise specified; and references to Parties include their respective successors and permitted assigns.

Section 12.15 Force Majeure. In the event of any Party hereto being rendered unable, wholly or in part, by reason of Force Majeure to carry out its obligations hereunder (other than the obligation to make payment of amounts due hereunder), or to meet the requirements to earn a payment or other commitment of another Party hereto, the obligations of the disabled party suffering such Force Majeure event shall be suspended during the continuance of any inability so caused, but for no longer period and/or the deadline to earn any such payments or other benefits shall be tolled for the period of such Force Majeure event and the deadline shall be extended for the period of such Force Majeure event; provided, however, that such Party suffering the Force Majeure event shall (i) deliver prompt notice, to the Party to whom the obligations are due, of the occurrence of such a Force Majeure event (such notice to describe the circumstances creating the event and the steps that such party proposes to take to eliminate the event or the effects thereof), (ii) use its best efforts to eliminate such event or the effects thereof and shall deliver periodic status reports regarding such efforts to the Party to

whom the obligations are due, (iii) promptly deliver notice to the Party to whom the obligations are due when such event has been eliminated or has ceased to prevent the performance of the suffering Party's obligations and (iv) proceed to fulfill or perform such obligations as soon as reasonably practical after the event has been eliminated or has ceased to prevent the performance of the suffering Party's obligations.

Section 12.16 Survival of Representations and Warranties. The covenants, representations and warranties made by each of the Parties hereto and contained herein shall survive the performance of any obligations to which such covenants, representations and warranties relate.

Section 12.17 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

Section 12.18 Entire Agreement. This Agreement (including any Ancillary Agreements and exhibits referred to herein) constitutes the entire agreement among the Parties hereto and supersedes any prior understandings, agreements or representations by or among the Parties hereto, whether written or oral to the extent they relate to the subject matter herein.

ARTICLE XIII

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Affiliate" means any business entity which directly or indirectly through one or more intermediaries controls, or is under common control with, or is controlled by, the Company, including, but not limited to Volkswagen Credit, Inc. "Control" (including the related terms "controlled by" and "under common control with") shall exist when any one of the three of the following criteria are met: (i) the possession, directly or indirectly, of the power or shared power to direct or cause the direction of the management and policies of a business entity (whether through the ownership of voting securities or other ownership interest, by contract or otherwise), (ii) the ownership, either directly or indirectly, of fifty percent (50%) or more of the voting stock or other equity interest of such business entity, and (iii) the possession, directly or indirectly, of the power or shared power to make decisions regarding the hiring, firing, compensating and promoting of the employees of such business entity.

"Agencies" has the meaning set forth in the Preamble.

"Agreement" means this Memorandum of Understanding.

"AIG" has the meaning set forth in Section 10.3(h) hereof.

"ALTA" means American Land Title Association.

"Ancillary Agreement" means each agreement (other than the Agreement) referenced herein or which is incorporated as an exhibit hereto between the Company and one or more of the other Parties hereto.

"Applicant Recruitment and Screening Services" means the State's provision of applicant recruitment and screening services including (i) all staffing services, (ii) the development and implementation of a training applicant advertising plan (through appropriate media, including newspapers, radio, television and online), (iii) coordination and implementation of training applicant resume collection and pre-screening, (iv) profiling, testing and assessment, (v) coordination and implementation of training applicant interviews, (vi) coordination and implementation of training applicant drug testing, and (vii) monitoring of the Company's selection process and coordination of pre-employment enrollment procedures.

"ASTM" means The American Society for Testing Materials.

"Base Employment Level" has the meaning set forth in Section 5.2(a) hereof.

"Buffer Zone" means the approximately two thousand eight hundred (2,800) acres designated as a buffer zone on the Site Plan Specifications, the deed for which is attached hereto as EXHIBIT BB.

"Business Day" means any day other than a Saturday, Sunday or any day designated as a state or federal holiday.

"Capital Investment" means an investment by the Company in the Facility and Project Site, such investment to include the costs and expenses of the design, architecture, engineering, process engineering, site preparation, construction of the Facility and improvements to the Project Site, build out of the Facility, fixtures, machinery, equipment, information technology, furniture, vehicles (in whatever form) to be utilized at the Facility, and fire protection, and all costs of financing such activities and the costs and expenses of such attorneys, consultants and professionals as may be required in connection with the foregoing that is capitalized on the Company's books and records in connection with this Facility.

"C.F.R." means the Code of Federal Regulations.

"Chamber" has the meaning set forth in the Preamble to this Agreement.

"City" has the meaning set forth in the Preamble to this Agreement.

"Code" means the Tennessee Code Annotated, as amended.

"Company" has the meaning set forth in the Preamble hereto and includes its successors, permitted assigns and Affiliates.

"Company Representative" means the individual or entity separately retained or designated and compensated by the Company to advise, consult, and review site preparation, infrastructure and construction matters at the Project Site and Facility.

"Conditions Precedent" has the same meaning set forth in Section 2.3 hereof.

"Control Site Assessment based on Phase II ESA" has the meaning set forth in Section 10.3(e) hereof.

"Coordinators" has the meaning set forth in Section 3.1 hereof.

"County" has the meaning set forth in the Preamble hereto.

"CSTCC" has the meaning set forth in Section 3.1(e) hereof.

"Cuno Case" has the meaning set forth in Section 11.6 hereto.

"Deed" has the meaning set forth in Section 5.1(d) hereof.

"DOT" means the Tennessee Department of Transportation.

"Effective Date" has the meaning set forth in Section 12.1 hereof.

"Employment Commitment" means maintenance by the Company of an annual average of the Base Employment Level at the Facility for any thirty-six (36) consecutive months during the Employment Period.

"Employment Recapture Amount" has the meaning set forth in Section 5.2(b).

"Employment Period" has the meaning set forth in Section 5.2(b) hereof.

"Environmental Claims" means any and all claims of every nature and character in law, equity, tort, or otherwise, including, without limitation, claims for natural resource damages, remedial costs, demands, enforcement actions, lawsuits, citizen suits, violations and injunctive relief, for losses, costs, penalties, fines, damages, liabilities, expenses (including, without limitation, reasonable attorneys' fees, expert fees and litigation expenses), expenditures, and awards asserted under any Environmental Laws or common law, legal, equitable or other theories (including, without limitation, nuisance, trespass, fraud, negligence, strict liability, and suits involving abnormally dangerous activities), which are in any way related to Environmental Conditions or Hazardous Materials at, to, from or onto the Project Site, that arise out of or are in any way related to events, occurrences or circumstances prior to and including the Effective Date, irrespective of the date of discovery. The term "Environmental Claims" shall be interpreted in the broadest sense possible.

"Environmental Conditions" means any condition, activity, or operation of the Project Site, including, without limitation, soil, sediment, groundwater, surface water, or any buildings, fixtures, pipes, and/or other improvements, which is or may be regulated, controlled, limited or prohibited pursuant to any federal, state, or local Environmental Laws, including, without limitation, Hazardous Materials at, to, from or onto the Project Site, or any conditions identified or referenced in the Phase I Environmental Site Assessment, the Control Site Assessment based on Phase II ESA, or any related or subsequent environmental reports or assessments. Additionally, the foregoing explicitly includes, without limitation, any conditions identified

previously or in the future in any regulatory correspondence or reports provided to or generated by the United States Army, the U.S. Environmental Protection Agency, the Tennessee Department of Environment and Conservation, any other federal, state or local agencies, and any of their contractors in association with previous, ongoing, and or future monitoring, corrective action, and remediation associated with the facility formerly known as the Volunteer Army Ammunition Plant. The term "Environmental Conditions" shall be interpreted in the broadest sense possible.

"Environmental Coordinator" means, with respect to the Facility and Project Site, the specific individual designated and paid by the Chamber to coordinate with and advise the Company with respect to the preparation and obtaining of all environmental Permits that may from time to time be required by the Company for the purpose of facilitating the environmental Permit process on an expedited basis and in accordance with all applicable law.

"Environmental Laws" means any federal, state, or local law, statute, ordinance, and regulation, now or hereafter in effect, and in each case as amended or supplemented from time to time, and any applicable judicial or administrative interpretation thereof, including, without limitation, any applicable judicial or administrative order, consent decree, or judgment applicable to the Project Site relating to the regulation or protection of human health, safety and/or the environment, natural resources (including, without limitation, ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species, and/or vegetation), as well as protected sites or artifacts of historical or cultural significance. By way of further example, and without limiting the breadth of the foregoing, "Environmental Laws" include, but are not limited to, the National Environmental Policy Act of 1969, as amended (42 U.S.C. §§ 4321 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the federal Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. §§ 9601 et seq.) ("CERCLA"); the Hazardous Material Transportation Act, as amended (49 U.S.C. §§ 1801 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act, as amended (7 U.S.C. §§ 136 et seq.); the Toxic Substance Control Act, as amended (15 U.S.C. §§ 2601 et seq.); the Clean Water Act; the Clean Air Act, as amended (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act, as amended (33 U.S.C. §§ 1251 et seq.); the Federal Coastal Zone Management Act, as amended (16 U.S.C. §§ 1451 et seq.); the Occupational Safety and Health Act, as amended (29 U.S.C. §§ 651 et seq.); the Safe Drinking Water Act, as amended (42 U.S.C. §§ 300(f) et seq.), the Tennessee Hazardous Waste Management Act; the Tennessee Solid Waste Disposal Act; the Tennessee Air Pollution Control Act; the Tennessee Water Quality Control Act; and any and all regulations promulgated thereunder and all similar state and local laws, statutes, ordinances, regulations, judicial or administrative orders, consent decrees, or judgments.

"Estimated Real Property Value" has the meaning set forth in Section 5.1(d) hereof.

"Exempt Facilities" means any facilities comprising a part of the Project the cost of which may be financed by "exempt facility bonds" within the meaning of I.R.C. § 142.

"Existing Title Exceptions" means the title exceptions set forth on EXHIBIT N attached hereto.

"Expansion Site" has the meaning set forth in Section 2.1(b) hereof.

"Facility" has the meaning set forth in the second WHEREAS clause hereof.

"Force Majeure" means acts of God; strikes, lockouts, or other industrial disturbances; hereof, conditions arising from a change in governmental laws, orders, rules or regulations; acts of public enemy; wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; hurricanes; floods; washouts; arrests and restraints of governments and people; civil disturbances; and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension, and which by the exercise of due diligence, such party is or would have been unable to prevent or overcome. Such term shall likewise include, in those instances where a party is required to obtain or furnish materials and supplies for the purpose of constructing or maintaining facilities for such purpose, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable costs, and after the exercise of reasonable diligence, such materials and supplies.

"Foreign-Trade Zone" means zones for specialized purposes or sub-zones in areas separate from existing foreign trade zones for one or more of the specialized purposes of storing, manipulating, manufacturing, or exhibiting goods when the board of the Foreign-Trade Zone finds that existing or authorized zones will not serve adequately the convenience of commerce with respect to the proposed purposes. *See* 15 C.F.R. pt. 400 (1993).

"Full-Time Employee" means (i) those direct employees of the Company and its Affiliates in the County performing a job and (ii) those individuals whose services are provided in the County on a contractual basis, whether directly with the Company or through a third party contracting services to perform a job requiring a minimum of thirty-five (35) hours of an individual's time each week during normal operations and/or the equivalent of full time employment in accordance with the standard practices of the Company as in effect from time to time.

"General Easement Area" has the meaning set forth in Section 5.1(d) of this Agreement.

"Hazardous Materials" means any substance, material, or waste which is (i) defined now or hereafter as a "pollutant," "contaminant," "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "industrial waste," or other similar term or phrase under any Environmental Laws (as defined above), (ii) any substance, the presence of which on, under or in the Project Site, or contained in any structure thereon, is prohibited or regulated by Environmental Laws or which requires investigation, removal, response or remediation under any Environmental Laws, (iii) petroleum or any fraction or by-product thereof, polynuclear or polycyclic aromatic hydrocarbons, asbestos, trinitrotoluene, any polychlorinated biphenyl, urea formaldehyde foam insulation, radon or any other radioactive or explosive substance, methane, volatile hydrocarbons, or an industrial solvent.

"Headquarters Position" means a Full-Time Employee position involving administrative, planning, research and development, marketing, personnel, legal, engineering,

accounting, computer, telecommunications or similar services at that portion of the Facility which constitutes a "headquarters facility" as defined in Code Section 67-6-224.

"Highest Average Employment Count" means the monthly average number of Full-Time Employees at the Facility during the consecutive thirty-six (36) month period in which the Company has maintained the highest average number of Full-Time Employees, using the number of Full-Time Employees on the last day of each month during the Employment Period as the basis for such determination.

"Historic Properties" means any prehistoric or historic district, site, battlefield, gravesite, cemetery, building, structure, object, artifact, record or remains, including properties of traditional religious and cultural significance to an Indian tribe.

"IDB" has the meaning set forth in the preamble to this Agreement.

"Industrial Machinery" means machinery, apparatus and equipment with all associated parts, appurtenances and accessories, including hydraulic fluids, lubricating oils, and greases necessary for operation and maintenance, repair parts and any necessary repair or taxable installation labor therefor, that is necessary to, and primarily for, the fabrication or processing of tangible personal property for resale and consumption off the premises, or pollution control facilities primarily used for air pollution control or water pollution control, where the use of such machinery, equipment or facilities is by one who engages in such fabrication or processing as one's principal business.

"I.R.C." means the Internal Revenue Code of 1986, as amended.

"Legislative Schedule", attached hereto as EXHIBIT CC, means the timetable by which the State, through the office of the Governor, hereby agrees to pursue, introduce and/or enact, as applicable, all legislation provided for in this Agreement, for the purpose of passing such legislation, including calling special legislative sessions if necessary.

"Letter Ruling" has the same meaning as set forth in Code Section 67-1-109.

"Liability" means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

"Local Development Project Coordinator" means the specific individual designated and paid by the Chamber to coordinate with, and advise the Company with respect to the matters contemplated herein and as may from time to time arise in an administrative, communications and facilitation context.

"Local Governments" has the meaning set forth in the preamble to this Agreement.

"Park" means the Enterprise South Industrial Park.

"Party" or *"Parties"* has the meanings set forth in the preamble hereof.

"Permit" means any permit, license, certificate of occupancy, order, certification, registration, approval or authorization issued under any law, regulation or ordinance, whether federal, state, or local.

"Permitted Encumbrances" has the meaning set forth in Section 5.1(c) hereof.

"Phase I Environmental Site Assessment" has the meaning set forth in Section 10.3(d) hereof.

"PILOT Agreement" has the meaning set forth in Section 4.2 of this Agreement.

"Pollution Control Equipment" means any system, method, improvement, structure, device or appliance appurtenant thereto used or intended for the primary purpose of eliminating, preventing or reducing air or water pollution, or for the primary purpose of treating, pretreating, recycling or disposing of any hazardous or toxic waste, solid or liquid, when such pollutants are created as a result of fabricating or processing by one who engages in fabricating or processing as such person's principal business activity, which, if released without such treatment, pretreatment, modification or disposal, might be harmful, detrimental or offensive to the public and the public interest.

"Production Position" means a Full-Time Employee position that is directly involved in the production of automobiles and is not otherwise a Headquarters Position.

"Project" means the development, construction and operation of the Facility.

"Project Schedule" means the timetable established by the Company to address its requirements for Project Site development, construction and implementation of the Facility and improvements to the Project Site, which is annexed hereto as EXHIBIT C, it being understood that the Project Schedule will be amended from time to time by the Company, including after the Effective Date; all references herein to the Project Schedule being "as amended."

"Project Site" has the meaning set forth in Section 2.1(a) hereof.

"Protected Species" means any species that is determined to be an endangered, threatened, or candidate species pursuant to the federal Endangered Species Act or any species that is determined to be endangered, threatened, rare or of special status or is otherwise protected under any State or local law.

"Public Authorities" has the meaning set forth in the preamble hereof.

"Public Policy Advocacy Coordinator" means the specific individual designated and paid by the Chamber to coordinate with, and advise the Company with respect to public policy.

"Public Relations & Communications Coordinator" means the specific individual designated and paid by the Chamber to coordinate with, and advise the Company with respect to public relations and communications.

"Qualified Training Costs" means all of the following:

(a) With respect to individuals conducting training of employees (trainers), whether training takes place in the U.S. or Germany, (i) if employed by the Company or a parent or sister legal entity of the Company, the charges attributable to the costs of their wages and benefits (or at standard per diem charges pursuant to state travel regulations); or (ii) if employed by a third party, the charges for such training services.

(b) With respect to travel expenses for trainers, (i) round trip airfare and per diems (in accordance with state travel regulations); and (ii) round trip airfare for trainers traveling to suppliers.

(c) Any additional costs for travel or accommodations associated with training outside of the training center (in accordance with training program guidelines), including but not limited to such items as hotel expenses and temporary training space, whether at the Project Site, in the Chattanooga area, or at other Volkswagen facilities worldwide.

(d) All costs associated with:

(i) the providing by the State of pre-employment training, including orientation training, core skills training, basic skills training, soft skills training and hands-on assembly training;

(ii) the providing by the State of on-the-job training, including continued pre-employment training, post-employment training, to include training related to automotive manufacturing, procedures training, and training for existing product modifications and re-tooling; with the length of the training period for the combination of pre-employment and on-the-job training being based upon the particular job classification, and the skill levels of the trainees;

(iii) the providing by the State of instructor development training;

(iv) the providing by the State of management training; and

(v) development by the State of curricula and preparation of customized training videos which include training course content, tutorials concerning equipment use and safety and preparation of training manuals and other materials necessary to support the training programs.

"Recapture Base" means the sum of (a) the actual expense incurred by the Public Authorities on (i) Section 6.1 incentives and (ii) Section 6.2 incentives and (b) the market value of the Project Site as of the Effective Date (determined to be Ten Million Dollars (\$10,000,000.00)).

"Relocation Expense" means all infrastructure, administrative or other expenses associated with, directly or indirectly, the relocation of a Headquarters Position to the State, including, but not limited to expenses incurred in the construction of buildings and infrastructure related to the Project.

"Request for Payment" means the form attached hereto as EXHIBIT S.

"Roadway Specifications" has the meaning set forth in Section 6.3(a) hereof.

"Sewer Specifications" has the meaning set forth in Section 6.6(a) hereof.

"Site Buffer Deed" means the deed for the Buffer Zone attached hereto as EXHIBIT BB.

"Site Plan Specifications" means the proposed site plan specifications attached hereto as EXHIBIT DD.

"Site Preparation Work" means, with respect to the Project Site, performing all clearing and grubbing, earthwork, and leveling which is required by the Company to prepare the Project Site for construction of the Facility including but not limited to, all cut and fill, earthwork compaction, a gravel working surface for the building foot print, drainage ditches, an on-site draining facility, an off-site stormwater facility, erosion control, retention ponds, installation of a fence around the Project Site, site preparation engineering and management of the site preparation contractor, demolition as per the Company's specifications to level and grade the Project Site to the specifications set forth in the Site Plan Specifications and according to the Project Schedule and all other work necessary to prepare the Project Site according to the Site Plan Specifications and the timeframe set forth in the Project Schedule.

"Start of Production" means the date on which the Company completes the manufacture of the first one hundred (100) serial production line automobiles at the Facility.

"State" means the State of Tennessee.

"Survey" means the ALTA surveys attached hereto as EXHIBIT D which contains and depicts a legal description for the Project Site.

"Tax" or *"Taxes"* means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including under I.R.C. § 59A), custom duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

"Tax Coordinator" means the specific individual designated and paid by the Chamber to coordinate with and advise the Company with respect to all matters relating to Taxes imposed by the State and Local Governments, including matters of compliance and obtaining all exemptions for which the Company is or may become eligible under applicable State and local laws.

"TDOR" means the Tennessee Department of Revenue.

"Title Commitment" has the meaning set forth in Section 5.1(b) hereof.

"Title Company" has the meaning set forth in Section 5.1(b) hereof.

"U.S.C." means the United States Code.

"Vendors" has the meaning set forth in Section 8.2 hereof.

"Water Specifications" has the meaning set forth in Section 6.5(a) hereof.

"Welcome Center" has the meaning set forth in Section 9.5(a) hereof.

"Welcome Center Project Team" has the meaning set forth in Section 9.5(e) hereof.

"Workforce Development Coordinator" means the specific individual designated and paid by the Chamber to coordinate with and advise the Company with respect to all matters relating to training, whether statewide or local in nature, including matters of compliance and obtaining all training assistance for which the Company is eligible pursuant to this Agreement or under applicable law.

IN WITNESS WHEREOF, the Parties have executed this Agreement of the above indicated.

DATE:

By:

Name: [Signature]

Title: Gov

TENNESSEE DEPARTMENT OF REVENUE

By:

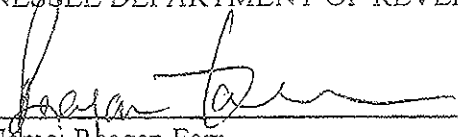
NAME: _____

Title: C m i m

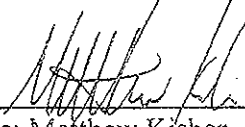
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Name: Maathe K. J.
Title: Comm.

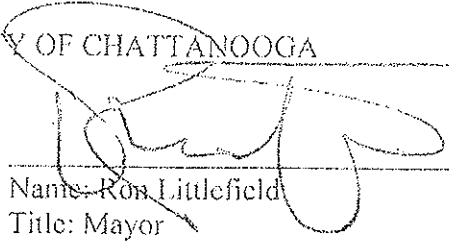
TENNESSEE DEPARTMENT OF REVENUE

By: 
Name: Reagan Farr
Title: Commissioner

TENNESSEE DEPARTMENT OF ECONOMIC &
COMMUNITY DEVELOPMENT

By: 
Name: Matthew Kisber
Title: Commissioner

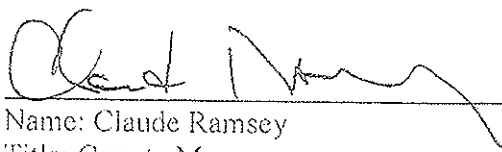
CITY OF CHATTANOOGA

By: 

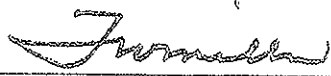
Name: Ron Littlefield

Title: Mayor

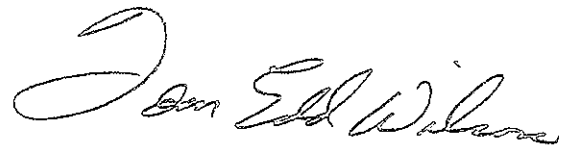
HAMILTON COUNTY

By: 
Name: Claude Ramsey
Title: County Mayor

INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF CHATTANOOGA

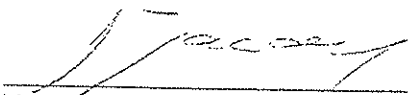
By: 
Name: Theodore W. Mills
Title: Chairman

CHATTANOOGA AREA CHAMBER OF
COMMERCE

A handwritten signature in cursive script, reading "Tom Edd Wilson".

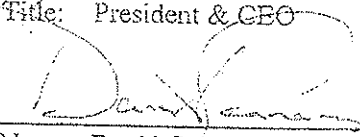
By: _____
Tom Edd Wilson
President and CEO

VOLKSWAGEN GROUP OF AMERICA, INC.

By: 

Name: Stefan Jacoby

Title: President & CEO

By: 

Name: David Geanakopulos

Title: EVP, General Counsel & Secretary